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Annual report of the Executive Director

Summary

In 2013, UNOPS provided implementation, advisory and transactional services that supported partners in the delivery of tangible benefits to people in need, often in the most challenging environments. The organization continued to improve the way it operates, successfully benchmarking itself against international standards and promoting approaches and processes that produce sustainable results.

In 2013, UNOPS delivery was $1.14 billion, up from $977 million in 2012, with new engagements reaching a record $1.96 billion, up from $1.35 billion. Delivery in low-income countries and countries affected by conflict continued to increase as a percentage of total delivery. UNOPS kept costs firmly under control and ensured that its solid financial position was maintained, instilling confidence in partners and demonstrating the strength of its business model.

Key operational results completed on behalf of partners included the construction or rehabilitation of 81 bridges, 3,560 kilometres of road, 31 schools, and 26 hospitals and health clinics. UNOPS procured over 19,000 units of machinery and equipment for its partners, as well as over 4,000 vehicles and 11.3 million doses of medicine. More than 47,000 people were trained, and 288 high-level meetings were organized. UNOPS provided over 14,600 days of advisory services to its partners.

During the period of the UNOPS strategic plan, 2010-2013, the organization experienced transformational change. UNOPS is now financially strong, has a clear mandate and firm lines of accountability, and is experiencing record demand for its services. A robust platform has been established to implement the strategic plan, 2014-2017, thereby better supporting partners in bringing about sustainable development.

Elements of a decision

The Executive Board may wish to take note of: (a) the significant contributions made by UNOPS, often in the most challenging environments, to the operational results of the United Nations and its partners in 2013; (b) the transformational change of UNOPS during the period of the strategic plan, 2010-2013; and (c) the firm platform established for implementing the strategic plan, 2014-2017, focused on sustainable development.

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Contents

Chapter		*Page*
I.	Introduction ...	3
II.	Management results framework	3
	A. Partner perspective	3
	B. Business process perspective	4
	C. People perspective	5
	D. Financial perspective	6
III.	Operational results	7
	A. Results framework	7
	B. Key results achieved for partners	7
	C. Goal one: Rebuilding peace and stability after conflict	9
	D. Goal two: Early recovery of communities affected by natural disaster	11
	E. Goal three: Ability of people to develop local economies and obtain social services	12
	F. Goal four: Environmental sustainability and adaptation to climate change	14
	G. Cross-cutting concerns	14

I. Introduction

1. The Executive Director is pleased to inform the Executive Board of the progress made during 2013 in the implementation of the UNOPS strategic plan, 2010-2013. In 2013, UNOPS supported its partners in delivering tangible results to people in need, often in the most challenging environments. In doing so, it brought international standards of efficiency, effectiveness and transparency to its partners' operations and contributed to sustainable development.

2. In September 2013, the Executive Board approved the UNOPS strategic plan, 2014-2017. The plan highlights sustainability, focus and excellence, and emphasizes national capacity. It clearly sets out how the organization can advance sustainable implementation practices in development, humanitarian, and peacebuilding contexts, always satisfying or surpassing partner expectations.

3. While the overall structure of this report follows the format of previous years, the content also reflects measures taken in 2013 to incorporate the themes of the new strategic plan. Annex 5, available on the Executive Board website, summarizes the results achieved during the period 2010 to 2013.

II. Management results framework

A. Partner perspective

4. In 2013, overall UNOPS delivery was $1.14 billion, compared to $997 million in 2012. This increase is mainly attributable to a scaling up of UNOPS support to operations in Afghanistan, Haiti, Myanmar, Somalia, and Yemen, as well as increased work with partners responding to the crises in Mali and Syria. Delivery in low-income countries and countries affected by conflict continued to increase, up to 62 per cent of total delivery, compared with 51 per cent in 2012. The trend is a testament to partners' confidence in the ability of UNOPS to operate in those challenging environments.

5. In 2013, 60 per cent of UNOPS delivery was on behalf of the United Nations system, down from 65 per cent in 2012 but closer to figures from previous years. UNDP was again its largest United Nations partner, accounting for $280 million, or 25 per cent of total delivery, a 6 percentage point decline compared to 2012. This included UNDP regular resources of $30 million, with $250 million in other funding coming from or administered by UNDP. This included $16 million where UNOPS is in direct partnership with UNDP, $71 million from the Global Environment Facility (GEF), $73 million in management service agreements where funding came from host countries, and $90 million from UNDP-administered multi-partner trust funds on behalf of the United Nations Development Group. The second largest United Nations partner was the Department of Peacekeeping Operations, accounting for $204 million, or 18.1 per cent of implementation expenditure, compared to 17.8 per cent in 2012. Other 2013 trends among United Nations partners included a further increase in delivery on behalf of the Office of the United Nations High Commissioner for Refugees, up to $40 million from $22.5 million in 2012. Support services to both UN-Habitat and the United Nations Office on Drugs and Crime (UNODC) increased during 2013.

6. The largest partnership with a government during 2013 was with the Government of Afghanistan, followed by those of Peru and Guatemala, respectively. In Afghanistan, the majority of services were in direct support to the Government, while in Guatemala and Peru the partnership with the governments continued through UNDP management services agreements. Total direct support to governments, including through such agreements, was 29 per cent of

delivery, compared with 31 per cent in 2012. The decline reflects the completion of a series of large-scale procurement contracts and changing legislative environments in certain countries.

7. UNOPS partnered with international financial institutions, including though a variety of partnership structures with the World Bank, on $77 million worth of projects. Direct implementation for the World Bank increased to $15.1 million from $14.4 million in 2012.

8. UNOPS work for the European Union increased to $43 million of delivery, from $34 million in 2012. In Tunisia, for example, UNOPS is rehabilitating the prisons of Messadine and Gabès. New business signed with the European Union during 2013 totalled $54 million, compared to $90 million a year earlier.

9. UNOPS continued to strengthen its partnership with the Global Fund to Fight AIDS, Tuberculosis and Malaria, acting as principal recipient in Cambodia and Myanmar. Globally, UNOPS delivered more than $46 million of services and worked as a local fund agent for the Fund in 15 countries.

10. The largest donor government to UNOPS projects where delivery can be directly attributed was the Government of Japan, with significant funding for infrastructure activities in Afghanistan and South Sudan. Second was the Government of Canada, followed by the Governments of the United States, the Netherlands and Italy.

11. UNOPS manages a limited number of pooled trust funds, the largest of which are in Myanmar or operate globally. The Governments of Australia, Denmark, the Netherlands, Sweden and the United Kingdom, as well as the European Commission, were significant contributors.

12. In 2013, the largest countries of delivery were Afghanistan, South Sudan, Myanmar, Somalia and Haiti, in that order. In 2012, they were Afghanistan, South Sudan, Myanmar, Peru and Somalia.

13. New agreements signed between UNOPS and its partners reached record levels in 2013, totalling $1.96 billion, up from $1.35 billion a year earlier. There was solid growth in Afghanistan and Myanmar, and significant increases in Iraq, Syria, and Yemen.

14. Delivery volumes are one way to measure the scale of UNOPS contributions. However, as the organization increasingly works through national systems by offering advisory services, delivery numbers will not capture the full impact of UNOPS efforts. For example, in Afghanistan and South Sudan, UNOPS provides technical assistance and develops capacity within the ministries of public works and other government infrastructure units. These projects have low delivery figures because funding for the implementation of infrastructure works remains with the government, reinforcing the sustainability of the initiatives.

15. UNOPS organizes its work around three delivery practices: sustainable infrastructure, sustainable procurement, and sustainable project management. In 2013, 43 per cent of delivery was attributable to project management, 30 per cent to infrastructure, 18 per cent to procurement, and 9 per cent to other management services requested by partners. Since UNOPS is demand driven, there will be yearly variations in these figures.

B. Business process perspective

16. UNOPS continues to benchmark itself against international standards. In 2013, the organization gained four prestigious project management certifications from APMG-International the group behind the Prince2 methodology – and from the Project Management Institute. The certifications further position UNOPS as a global leader in project management

for development, humanitarian and peacebuilding operations. The UNOPS Sustainable Infrastructure Practice Group gained ISO 14001 certification, the most recognized environmental management standard in the world, awarded to organizations that actively assess and manage their environmental impacts.

17. UNOPS was also assessed and certified by the European Foundation for Quality Management. The benchmarking identified strengths and gave a guide for further improvements.

18. UNOPS shares the knowledge it has acquired. For example, project management workshops, conducted for partners in 21 countries, were attended by more than 1,300 people.

19. In line with the ambitions of the strategic plan, 2014-2017, a programme was established to provide dedicated resources, focus and coordination to sustainability initiatives throughout UNOPS. The 'sustainability' marker was developed to review and improve UNOPS project engagements. This methodology informs conversations with partners on sustainability, assessing the likely social, environmental and economic impacts of a project, as well as national capacity. It allows monitoring and reporting on sustainability deliverables throughout the project cycle. The aim is to establish a sustainability baseline for UNOPS projects by the end of 2014.

20. Several measures were taken to realign regional and headquarters functions to ensure the efficient use of resources and position the organization to implement the next strategic plan. Among other improvements, the Integrated Practice and Advice Service was established to provide consistent, effective advice to operations; the Global Partner Services Office was established to manage multi-regional projects and to strengthen relationships with global partners; the Human Resources Practice Group was given additional responsibilities for change management, and the Financial Practice Group was strengthened to improve its strategic and budgeting role.

21. In 2013, UNOPS rebuilt the United Nations Global Marketplace, which acts as a single window where potential suppliers can register with United Nations organizations. These organizations account for over 99 per cent of total United Nations procurement.

22. During 2013, the rate of implementation of audit recommendations was improved. The overall implementation rate of audit recommendations issued between 2008 and 2013 was 91 per cent.

23. In 2013 the Ethics Officer received 416 referrals. These have been detailed in a dedicated report (DP/OPS/2014/4) for presentation to the Executive Board at its annual session.

24. As part of a review of corporate systems, UNOPS commissioned an independent evaluation of its enterprise resource planning system. The recommendation was to replace the current system with a solution that would better suit UNOPS needs. This was indicated in the UNOPS budget submission of September 2013. In January 2014 it was decided to move ahead with the implementation of a new system. The objective is to transform the information systems landscape within UNOPS, creating a smarter, more agile and better-integrated set of processes and systems, enabling the organization to support partners more efficiently.

Box 1. Gaining recognition as a leader in sustainable procurement

In 2013, UNOPS was selected to join a high-level advisory committee for a new global scheme to promote sustainable procurement. Launched at the Rio+20 Conference and led by the United Nations Environment Programme (UNEP), the Sustainable Public Procurement Initiative seeks to help governments maximize environmental, economic and social benefits from public procurement.

Sustainable procurement can mean considering the fuel efficiency of vehicles, purchasing stationery made of recycled paper, or buying from women-owned or minority-owned businesses. In cooperation with UNEP, UNOPS is helping to develop tools, resources and knowledge to expand sustainable procurement within the United Nations system. As a leader in the field, UNOPS already provides training and advisory services to partners and fellow United Nations organizations.

In 2013, UNOPS was awarded a certificate in sustainable procurement by the Chartered Institute of Purchasing and Supply, recognizing excellence in procurement policies, procedures and practices.

C. People perspective

25. The total UNOPS workforce at the end of 2013 was 7,602, up from 6,366 a year earlier. Of these, 850 were staff, and 6,752 had individual contractor agreements (732 international and 6,020 local). UNOPS recruited 142 staff in 2013. Of those, 84 were international professional staff, 19 were national professionals and 39 were general service staff. The number of staff who left the organization was 157. Staff turnover was 18.5 per cent, an increase from 15.8 per cent in 2012. Women made up 36.8 per cent of staff. UNOPS has strengthened efforts to increase the recruitment of women with a new institution-wide framework on gender equality. This includes measures to develop targeted outreach to female professionals, offer mentoring and leadership, strengthen human resources policies, and raise accountability among managers. A gender review will be carried out at headquarters and in all offices to identify needs and formulate concrete recommendations to achieve gender equality.

26. New processes and systems were developed in 2013, including a payroll system that fully automates payment processes for the salaries of nearly 3,000 personnel on individual contractor agreements, sharply reducing managers' administrative tasks. A provident fund scheme was developed for those working under the agreements, who are able to save 7.5 per cent of their salaries while UNOPS contributes 15 per cent. New provisions were introduced to improve working conditions, including hardship leave for those based in hardship duty stations, the issuance of two year contracts, and maternity leave for international personnel working under individual contractor agreements.

27. In 2013, UNOPS strengthened personnel performance management, with the 'rewards, recognition and sanctions' initiative completing its third year. In July, the initiative was endorsed by the International Civil Service Commission, which encouraged its continuation, noting its positive impact on performance management. Completion rates for performance appraisals have risen to 97 per cent since its introduction. In 2013 a performance management training programme was introduced for all supervisors, while the initiative led to the recognition of more than 20 colleagues for their exceptional contributions during an annual awards ceremony. External survey results show that personnel increasingly understand the link between performance and the achievement of business targets. The initiative also provides tools to address under-performance.

28. In 2013, personnel participated in more than 2,800 UNOPS learning activities or programmes, up from 1,865 in 2012. Around 50 senior managers were certified through the leadership development programme run by UNOPS in partnership with eCornell. UNOPS is also partnering with the United Nations System Staff College, ensuring that UNOPS representatives participate in the United Nations country team leadership training. More than 200 colleagues are participating in external professional certifications run by, among others, the Association of Chartered Certified Accountants (71 participants) and the Chartered Institute of

Purchasing and Supply (117 participants). More than 500 personnel participated in the Prince2 project management exam or in the UNOPS project management certification programme.

29. The global personnel survey, conducted in January 2014, showed that the percentage of personnel satisfied with their jobs had risen to 85 per cent, up from 84 per cent in 2012 and 82 per cent in 2011.

D. Financial perspective

30. During 2013, UNOPS delivered $1.14 billion in project services against $997 million in 2012, an increase of 16 per cent. Project-related net revenue was $62.6 million compared to $58.5 million in 2012. Miscellaneous income earned was $6.4 million against $11.1 million, with service income $9.3 million compared to $9.2 million. Management expenses were $55.2 million compared to $55.7 million a year earlier, a decline of around 1 per cent. This resulted in a net surplus of income over expenditure, after provisions for write-offs, of $9.8 million, compared to $8.2 million in 2012.

31. In February 2014, a panel of experts gave their opinion on the allocation of financial responsibility between UNOPS and UNDP regarding the interfund account. As a result, UNOPS received a net amount of $6.4 million, which has been incorporated into the 2013 financial statement.

32. An actuarial revaluation of UNOPS end-of-service employee liabilities indicate that such liabilities at year end 2013 were about $7.4 million more than liabilities at the end of 2012. By the end of the financial year 2013, UNOPS had been able to fund the increase in its end-of-service liabilities in full, and to exceed its obligatory reserve target as determined by the revised formula approved by the Executive Board.

33. The above expenses, revenue and reserve balance for 2013 are early figures calculated by UNOPS and may be subject to change. The figures have yet to be verified and audited by the United Nations Board of Auditors.

III. Operational results

A. Results framework

34. Four high-level goals defined the work of UNOPS during 2010-2013. They are called 'contribution goals', since UNOPS contributes to the results of its partners. The operational results UNOPS achieved for its partners during 2013 are reported in total in the key results section below, and are subsequently divided among the four contribution goals.

35. Goal one, rebuilding peace and stability after conflict, accounted for 41 per cent of UNOPS work on behalf of partners in 2013 (up from 37 per cent in 2012); goal two, the early recovery of communities affected by natural disasters, 8 per cent (up from 5.5 per cent); goal three, the ability of people to develop local economies and obtain social services, 41 per cent (down from 49 per cent); and goal four, environmental sustainability and adaptation to climate change, 9 per cent (up slightly from 8.5 per cent).

36. In 2013, UNOPS supported 1,230 active projects on behalf of its partners. Details of these partners accompany the project examples in sections B-G, and in annex 2 (available on the Executive Board website).

37. UNOPS accepted new engagements based on a rigorous review of their compliance with the mandate, values and core competencies articulated in its strategic plan and related Executive Board decisions, as well as conformity with and support of United Nations country-level objectives. Acceptance of new projects involved a comprehensive assessment of implementation risks and the expectation that all costs would be recovered.

B. Key results achieved for partners

38. In 2013, UNOPS constructed or rehabilitated 81 bridges, 3,560 kilometres of road, 2 airstrips and 1 harbour, compared with 27 bridges, 2,631 kilometres of road, 4 airstrips and 6 harbours in 2012.

39. UNOPS managed the construction or rehabilitation of 31 schools, 15 university facilities, 10 hospitals, 16 health clinics and 7 laboratories. In 2012, the numbers were: 40 schools, 7 hospitals, 5 health clinics, and 36 other medical facilities, such as laboratories and maternity wards.

40. In 2013, 7 police stations and 7 prisons were constructed or renovated, as were 7 courthouses and 35 other government administration buildings. In 2012, UNOPS constructed or renovated 25 police stations, 2 prisons and 4 detention centres, 2 courthouses, and 73 other government administration buildings.

41. More than a third of UNOPS-supported projects in 2013 created work for local people, but only 20 per cent of these had the direct access or capacity to measure the number of labour days created. Those 55 projects alone generated almost 2.5 million days of paid work for local people.

42. In 2013, UNOPS supported the mine-clearance work of the United Nations Mine Action Service (UNMAS) and partners in 18 countries and territories. It provided human resources management, procurement, contracting, grants management, technical and operational support, and financial and legal services.

43. UNOPS procured more than $749 million worth of goods and services (33 and 67 per cent, respectively) for its partners, some as part of wider implementation services, some as direct transactional support.

44. Over 19,000 units of machinery or equipment were procured by UNOPS for its partners in 2013. Around 4,000 vehicles were procured, compared to more than 6,000 in 2012. Over 7.7 million medical supplies were handled, including the distribution of nearly 3 million condoms and around 2 million diagnostic kits. More than 11.3 million doses of medicine were procured or distributed.

45. UNOPS helped its partners develop local capacity by supporting the training of 327 local authorities and non-governmental organizations, and more than 47,000 individuals, in subjects including disaster relief, infrastructure and sanitation, in comparison to 68 organizations and 21,000 people in 2012. It organized over 12,000 training courses and workshops, up from 484 in 2012, mainly due to a large election training programme.

46. UNOPS helped partners organize 288 high-level events and meetings compared with 451 in 2012, and provided support to 4,511 local organizations, down from 5,026.

47. UNOPS administered or monitored more than 500 grants, compared with 800 in 2012, to fund a range of projects, in addition to about 4,000 UNDP-GEF small grants across more than 120 countries. UNOPS provided a range of common services for the United Nations. For example, UNOPS constructed or renovated five United Nations buildings or compounds. It also

offered common procurement services, such as procuring $72 million worth of goods through UN Web Buy, up from $67.5 million in 2012.

48. UNOPS provided over 14,600 'person-days' of advisory services to its partners (92 per cent in technical advice and 8 per cent capacity development services), up from just over 3,000 in 2012.

Box 2. Improving outcomes for local populations in the Democratic Republic of the Congo

Due to the nature of the support UNOPS provides to donors and governments, it records its results at the output level. Donors and governments own the outcomes produced by their projects, and UNOPS encourages and supports partners in conducting evaluations. Wherever possible, UNOPS records impacts and outcomes, such as in the Democratic Republic of the Congo, where UNOPS is helping partners increase access to vital services and improve the livelihoods of communities emerging from years of conflict.

In the Isangi region, for example, UNOPS is helping the government improve rural infrastructure through the rehabilitation or construction of rural roads, primary schools, health centres, markets, wells and boreholes equipped with solar-powered pumps. An estimated 15,000 people now have access to clean drinking water and are at less risk of water-related diseases.

Also on behalf of the government, UNOPS is rehabilitating 455 kilometres of rural roads in Maniema Province, to stimulate agricultural productivity. With the 233 kilometres rehabilitated thus far, passenger travel costs have been reduced by 50 per cent. Nearly $3 million has been injected into the local economy.

As part of a five-year project funded by the United Kingdom, UNOPS has reopened a 304 km road in the east of the country, improving access to isolated communities and reducing the costs of basic products such as gas and salt by an estimated 25-30 per cent. The project has created over 51,000 work days for local women.

On behalf of the European Union, UNOPS is rehabilitating roads and building bridges in Equator Province under a four-year project to reduce poverty and guarantee better food security. Following the reopening of a key road, the prices of common products such as rice and peanuts have been cut in half.

C. Goal one: Rebuilding peace and stability after conflict

49. In 2013, UNOPS used its infrastructure, procurement and project management capacity to support a range of initiatives designed to foster sustained peace and development in areas suffering or recovering from conflict.

50. Among the 257 UNOPS-supported projects in post-conflict areas were: mine action operations in Mali; emergency infrastructure projects to reach displaced people in South Sudan; and human resources support to hire chemical weapons disposal experts in Libya.

51. About 41 per cent of UNOPS work in conflict-affected areas in 2013 involved managing construction projects. UNOPS helped its partners improve education and health in post-conflict communities by constructing or repairing 21 schools, 15 university buildings, 4 health clinics and 3 hospitals. UNOPS worked with its partners to ensure that the structures have the best long-term impact on society and the environment, while developing local capacity to maintain them in the future. For example, an Italian-funded project in South Sudan constructed four schools using local labour, while procuring education equipment, training teachers, creating school vegetable gardens, holding community meetings with parents to discuss gender issues, and improving girls' attendance rates through interventions such as increased access to sanitary pads.

52. UNOPS helped its partners to reinforce the rule of law by constructing seven police stations and four prisons, including one high-security prison in Kosovo, built to the highest

international standards, with funding provided by the government of Kosovo and the European Commission.

53. Transport in post-conflict areas was improved, with 74 bridges and 227 culverts constructed or rehabilitated across Afghanistan, the Democratic Republic of the Congo, South Sudan, and Sudan. In addition, four aviation facilities and 3,110 kilometres of road were constructed or repaired, allowing humanitarian access to displaced people and improving public access to health, education and justice facilities. For example, a rural access project in Afghanistan maintained 387 kilometres of paved and unpaved roads and constructed some 21 kilometres of unpaved roads with funding from the Government of Sweden. The project had a strong gender element, and trained over 220 women to run businesses that supported the road-building efforts.

54. People who were displaced due to conflict also received a number of services from UNOPS. For example, UNOPS assessed and designed the emergency infrastructure required to improve food security and humanitarian access in Darfur, funded by the Government of the United States of America.

55. After completing a project, UNOPS seeks to leave behind more than just outputs. The organization runs infrastructure projects using as much local labour as possible. This builds local skills, grows industries and injects cash into poor communities. In 2013, UNOPS-supported projects created one million labour days in post-conflict areas. For example a road-building project in the Democratic Republic of the Congo, funded by the Government of the United Kingdom, created more than 45,000 labour days through construction and the planting of 90,000 trees and plants along the route.

56. In addition to direct implementation services, UNOPS increasingly provides advisory services to build capacity so that developing country governments can implement their own projects. In 2013, UNOPS provided almost 1,500 days of advisory services in post-conflict countries, including through a project that developed the ability of the Ministry of Public Works in Afghanistan to operate and maintain its growing road system, by providing more than 400 days of mentoring and on-the-job training at the ministry and provincial levels.

57. UNOPS provided a range of procurement support, buying more than 7,600 items of equipment for various governments, as well as over 260 vehicles. Among these were two ambulances procured for the Ministry of Health in Sudan, with funding from the World Bank.

58. In 2013, UNOPS assisted and supported the mine-action work of UNMAS and partners in 18 countries and territories. It provided human resources management, procurement, contracting, grants management, technical and operational support, and financial and legal services. For a total value of approximately $193 million, UNOPS helped its main partner, UNMAS, deliver a range of results, including:

(a) The UNMAS rapid response team conducted humanitarian rapid response and technical support deployments to countries such as the Democratic Republic of the Congo, Haiti, Libya, Mali and Timor-Leste. In Syria, preparations are under way for a rapid response deployment to conduct emergency survey and clearance operations, risk-education and sector coordination.

(b) In Afghanistan, more than 730,000 items of unexploded ordnance were destroyed, including 121 abandoned improvised explosive devices and over 20,000 anti-personnel mines. An evaluation of gender concerns was conducted to ensure that women and girls benefited from mine action interventions.

(c) In Mali, 726 items of unexploded ordnance and more than 11,600 items of small arms ammunition were safely cleared.

(d) In Somalia, more than 9,000 items of unexploded ordnance were cleared or destroyed and four weapons and ammunition storage facilities constructed.

(e) In South Sudan, 23 mine fields were cleared resulting in the destruction of more than 600 landmines and over 10,000 items of unexploded ordnance. More than 869,000 square metres of land were released and handed back to the people of South Sudan.

(f) In Côte d'Ivoire, more than 100 people, including police officers, were trained in ammunition storage management, explosive ordnance disposal, trauma medical training and dealing with threats from improvised explosive devices.

(g) In Darfur, almost 100,000 people – most of them women and girls – received risk-education training.

(h) In Libya, more than 611,000 explosive remnants of war, small arms and light weapons were cleared, rendering 13.5 square kilometres of agricultural land free for use.

(i) In Colombia, civilian humanitarian demining began in September 2013, reducing the mine threat and releasing safe land for communities.

(j) In Liberia, UNMAS is developing national capacity to help the armed forces and national police safely respond to explosive remnants of war.

(k) In Palestine, all unexploded ordnance was removed from Gaza City by the end of 2013, eliminating the risk of accidental explosions. To address the large increase in child casualties, UNMAS, the United Nations Children's Fund (UNICEF), the United Nations Relief and Works Agency, and community-based organizations worked to institutionalize school teaching on explosive remnants of war.

Box 3. Improving access to water for communities in Darfur, Sudan

A dam rehabilitation project is aiming to address the root cause of conflict in North Darfur by providing nearly 70,000 people with secure access to water.

Initially built in 1954, the Tawila Dam was a major source of water for residents in the area – many of whom are now internally displaced – but has been largely dysfunctional since 2000. This project is expected to double irrigation areas and expand the water storage capacity of the dam by 50 per cent. It aims to support livelihoods, reduce the risk of flooding and drought, and improve access to water, reducing water-related conflicts and encouraging people to return to the area.

The project engaged local communities through consultations and training for local leaders, while creating an estimated 6,400 days of labour for local workers, 25 per cent of whom are women.

The $1.9 million project is funded by the United States Agency for International Development and implemented by UNOPS in collaboration with the State Government of North Darfur.

D. Goal two: Early recovery of communities affected by natural disaster

59. In 2013 UNOPS supported projects to help communities mitigate and recover from natural disasters in Haiti, Nepal, Sri Lanka, and other countries, through disaster-preparedness, post-disaster recovery and reconstruction services.

60. One way UNOPS helped partners rebuild communities after disaster was by constructing schools and medical centres. In Sri Lanka, UNOPS managed the construction of two health centres and rehabilitated 10 schools under a project funded by the Government of Greece. The buildings were designed to resist the effects of flooding and cyclones, and the materials were procured with environmental considerations in mind.

61. A large focus of UNOPS support in these areas involves giving communities work opportunities through labour-based construction projects. This injects cash into the local economy while building skills and engaging communities in the reconstruction process. In 2013, 31 per cent of UNOPS-supported projects in post-disaster situations had the capacity to measure the days of labour that they generated. Together, those projects – including an emergency road repair project supporting the Ministry of Public Works in Haiti, funded by the World Bank – created nearly 90,000 work days.

62. UNOPS involves communities in post-disaster rehabilitation. In partnership with the Government of Sri Lanka and with funding from the International Fund for Agricultural Development, UNOPS completed a large-scale project to build over 20 new fishing harbours and anchorages destroyed by the 2004 tsunami. Meetings were organized to engage communities, and since the project began in 2009 the number of women involved in fishing activities in the area has doubled.

63. In Haiti, UNOPS continued to mitigate health risks, for example, with mobile emergency teams funded by the Central Emergency Response Fund. In 2013, the teams working to contain cholera outbreaks procured almost 16,000 cholera kits and reached 183,000 people with a disease prevention campaign.

64. UNOPS uses its building expertise to limit the threat of future disasters. In Nepal, on behalf of UNDP, UNOPS retrofitted the United Nations House to increase its resistance to seismic events. UNOPS shared its disaster mitigation expertise by providing training to more than 20,000 people in disaster preparedness, including a team of experts learning to enhance infrastructure resilience in developing countries. Funded by Norway, this project was initiated by UNOPS to create rapid deployment capacity for the humanitarian community to quickly carry out assessments of infrastructure systems in pre- and post-disaster settings.

65. UNOPS support included managing complex programmes and procuring goods and services. This included administrative and operational support to the Nansen Initiative secretariat, designed to limit the negative effects of sudden disasters on refugee populations, with funding from the European Commission.

Box 4. Strengthening the health care system of Haiti

UNOPS is supporting an agreement between the governments of Haiti, Brazil and Cuba aimed at bolstering the health care system of Haiti, developing its national capacity and promoting job creation.

The agreement was signed to support the sustainable development of Haiti in the aftermath of the 2010 earthquake. UNOPS managed the construction and equipping of three community hospitals, one rehabilitation centre and one orthesis and prosthesis laboratory. The work was delivered on behalf of UNDP, with funding from Brazil.

Scheduled to be fully operational in mid-2014, the buildings are earthquake and cyclone resistant and incorporate environmentally-friendly infrastructure, such as external solar lamps and rainwater harvesting systems. The project helped introduce new construction methods in Haiti, such as the installation of prefabricated panels.

The project created an estimated 40,000 work days for local labourers, who were trained in plumbing, wiring and installing prefabricated units. UNOPS coordinated training on the new medical equipment for both medical and maintenance staff, and organized an awareness campaign for the local population that helped strengthen local capacity and promote community acceptance of the project.

E. Goal three: Ability of people to develop local economies and obtain social services

66. As well as working in post-conflict and post-disaster areas, UNOPS helped communities in low and middle-income countries lift themselves out of poverty by supporting projects that promote sustainable economic development and access to education, health care and justice services.

67. For reporting clarity, this section will focus on projects in territories that have not recently been affected by conflict (see goal one) or natural disaster (see goal two).

68. In 2013, UNOPS directly managed the construction or rehabilitation of 18 government buildings, 13 hospitals and health clinics and seven medical laboratories, including a hospital in

Puerto Barrios, Guatemala. The hospital, which was built on behalf of UNDP with funding from the Government, included earthquake-resilient techniques and a wastewater treatment plant.

69. UNOPS helped its partners improve the infrastructure needed for a strong justice system with seven new courthouses. The construction of a courthouse in Peru, on behalf of the Government, included a range of contractual obligations for all sub-contractors so as to improve national capacity in the course of biddings and contract management.

70. In many cases, UNOPS is able to provide advisory support to governments rather than directly managing construction. In 2013, UNOPS provided almost 11,000 days of such support in these non-crisis areas. A government hospital project in Nicaragua received 1,640 days of guidance from UNOPS advisors, leading to an updated architectural design and a detailed review of the technical specifications. The original involvement of UNOPS in the tender process reduced the cost of construction by almost 35 per cent.

71. On behalf of various partners, UNOPS procured almost $10 million worth of equipment in 'goal three' areas in 2013, ranging from agricultural machinery to computers to generators. This included procuring 12 generators for the Ethiopian Ministry of Agriculture, with funding from the International Fund for Agricultural Development.

72. Procuring high-quality medications in an accountable manner is often difficult for low-income countries or economies in transition. In these situations, UNOPS can ensure a reliable supply of quality goods while building local capacity in transparent procurement practices. In 2013, UNOPS procured over 11 million doses of drugs, mainly though support to health funds in Cambodia and Myanmar, but also through direct support to Argentina and Paraguay. These included eight million doses of HIV/AIDS medicines bought as the principal recipient for the Global Fund to Fight AIDS, Tuberculosis and Malaria in Myanmar. The drugs provided lifesaving antiretroviral treatment for a year for 24,000 people living with HIV. UNOPS provides fund management services in Myanmar for the multi-donor Three Millennium Development Goal Fund (3MDG) and has supported the procurement of 150,000 bed nets to prevent malaria. This is part of broader UNOPS support to 3MDG, which in 2013 resulted in over 560,000 people being tested for malaria, over 80,000 receiving malaria treatment and over 850,000 bednets being distributed to vulnerable communities.

73. In an example of procurement capacity-building, UNOPS trained 84 local auditors in Columbia, under an agreement between the Government and UNODC, to strengthen anti-corruption capacity and improve procurement efficiency.

74. UNOPS helps its partners procure services as well as goods, administering almost 6,300 contracts around the world for many countries and organizations, including over 200 contracts for the implementation of the Millennium Villages project in Ghana.

75. In addition to transactional services, UNOPS provides other administrative support, such as hosting services to the Water Supply and Sanitation Collaborative Council, supporting work that helped 3.2 million people improve their access to sanitation in 2013.

76. To build local capacity in a range of fields, the organization trained more than 19,000 individual people across 32 countries, in addition to organizing almost 12,000 workshops to groups of various sizes, the majority of which were to train electoral staff in Pakistan on behalf of UNDP.

F. Goal four: Environmental sustainability and adaptation to climate change

77. UNOPS partners often request project management support for large-scale internal environmental projects. From managing large environmental remediation schemes in Sri Lanka on behalf of the European Commission to administering loans for the Clean Development Mechanism scheme on behalf of the United Nations Climate Change Secretariat, UNOPS work in this area is extremely varied.

78. In 2013, UNOPS provided direct support to 10 different state bodies dealing with environmental projects, for example providing human resources, procurement and logistical support to a UNEP project office advancing access to sustainable energy within the South Department of Haiti, with funding from Norway. UNOPS also supported the Government of Peru in monitoring a large-scale programme to replace wood-burning stoves with cleaner, more energy-efficient gas stoves.

79. Over 70 surveys or other pieces of environmental research were produced with UNOPS support, one example being a project to reduce toxic impacts from health care waste in Tanzania. The project worked with UNDP, the World Health Organization, Health Care Without Harm, and the University of Dar es Salaam to promote appropriate, affordable technologies for waste treatment.

80. UNOPS is able to provide support when the cross-border nature of environmental issues necessitates coordinated international action. For example, UNOPS executes an international waters portfolio of 34 projects that focus on transboundary water systems. These are funded by GEF at the request of UNDP and other GEF-implementing organizations, such as the World Bank. The projects help countries work together and share knowledge to fight ecological stress, such as that caused by overfishing and industrial pollution. In 2013, UNOPS helped finalize the updated transboundary diagnostic analysis for Lake Baikal, for example, which includes studies on climate change and groundwater pollution risks.

81. UNOPS is the executing agency for the UNDP-implemented GEF Small Grants Programme, which channels money to non-governmental and community-based organizations to help them address climate change, conserve biodiversity, protect international waters, reduce the impact of persistent organic pollutants, and prevent land degradation. In 2013, UNOPS provided administrative and financial management for about 4,000 such sub-projects in more than 120 countries.

G. Cross-cutting concerns

82. UNOPS intensified its focus on sustainability in 2013. In the next reporting period (2014-2017), UNOPS will report against a wider range of social, economic and environmental sustainability indicators. For 2013, the organization continues to report against the criteria laid out in the strategic plan, 2010-2013, through its cross-cutting concerns of gender, the environment and national capacity development.

83. In 2013, UNOPS helped partners pursue these cross-cutting initiatives across all four contribution goals. In some cases those concerns were the main focus of the project, but in most they were integrated into a project with a different primary goal.

National capacity development

84. Around 48 per cent of all the projects supported by UNOPS report on work to develop national capacity, mainly by enhancing institutions or developing skills. In most cases the projects included specific activities related to national capacity development in their design. For example, a project to increase access to modern energy services and agro-enterprises in

sub-Saharan Africa, funded by the Gates Foundation and UNDP, contained a wide range of formal training, technology transfer, knowledge sharing and networking elements. As well as developing capacity during project implementation, around 30 per cent of projects created specific capacity development outputs, such as training manuals or providing government staff with certified training.

85. In the cases where capacity development had not been specified in the original design, 8 per cent of UNOPS project managers were still able to include some elements during implementation, often through on-the-job training with local authorities or communities. For example, a project to rehabilitate a state administrative building in Liberia, implemented on behalf of UNDP, provided technical training for local workers.

86. UNOPS helps its partners enhance skills that are needed for developing countries to run their own initiatives. For example, the European Partnership with Municipalities Programme, a large-scale programme funded by the European Union and the Government of Switzerland, ensured that local municipalities and community-based organizations in Serbia managed the project implementation themselves, while UNOPS provided advisory support. In Afghanistan, the UNOPS-supported mine action programme is in the advanced stage of transition to national ownership, with Afghan nationals holding most management positions.

87. As part of its project management support, UNOPS provided formal training while implementing projects for its partners in a range of sectors, helping to expand the skills and knowledge of over 47,000 people, in addition to organizing more than 12,000 training courses and workshops. As part of an integrated programme to rehabilitate multiple neighbourhoods of Port-au-Prince, Haiti, UNOPS, in partnership with the Ministry of Public Works and on behalf of multiple donors, trained local workers to repair and reinforce houses damaged by the earthquake.

88. As a central procurement resource, UNOPS often works to develop capacity in the transparent and accountable purchasing of goods and services by public bodies. In 2013, UNOPS provided 2,725 days of advisory services in procurement, as well as considerable capacity development services during direct project implementation. In Honduras and Nicaragua, UNOPS provided nearly 60 local government employees with in-depth procurement training as part of support to water, sanitation and hygiene projects in small cities and schools, funded by the Swiss Agency for Development and Cooperation.

89. As an expert in managing development projects, UNOPS focuses on community engagement to create lasting impact. In 2013, 25 per cent of UNOPS projects included funding and donor support to engage communities during implementation. For example, a project for the sustainable management of livestock in West Africa, implemented by UNOPS on behalf of UNDP, established a community steering committee to enable local communities to be fully involved in the implementation of the project.

Gender equality and the empowerment of women

90. In 2013, 30 per cent of the projects supported by UNOPS were working to improve gender equality and the empowerment of women. In 19 per cent of those cases, the original design had included specific 'gender deliverables'. For example, a project funded by the Government of Canada to support and strengthen Palestinian prosecution services also created a gender unit within the Office of the Attorney General.

91. Other projects increased equality by giving women a voice. In the Democratic Republic of the Congo, a World Bank-funded infrastructure project not only taught women construction skills but aimed at having at least 30 per cent women on the committees overseeing the operation and maintenance of completed rural markets and roads.

92. Increasingly, the large infrastructure projects implemented by UNOPS have complex plans to consider women's needs. For example, a $66 million project in South Sudan, with funding

from the Government of the United States, is building infrastructure that benefits communities, such as feeder roads linking villages to markets. The plans ensure that women and communities benefit from implementation through work programmes, gender-sensitive planning and capacity-building activities.

93. Some projects helped develop state capacity for gender sensitivity, such as the Afghan Democratic Policing Project. UNOPS provided fund management support to the United Nations Assistance Mission in Afghanistan to implement the project through eight Afghan civil society organizations. These mentored police officers to be more sensitive in cases of domestic violence, and provided literacy training for female police officers to help advance their careers.

94. Even in projects where gender equality outputs had not been specifically included in the original design, around 10 per cent of project managers were able to include elements to empower women. A project funded by the European Union to promote partnership between public authorities and civil society in Iraq worked to ensure that women's organizations were included in all project activities, and guaranteed representation by women in government delegations.

95. Just under a quarter of the projects working on gender empowerment boosted women's access to social services and opportunities, building facilities designed to enable girls and women to receive justice, education, and health care. UNOPS is building a courthouse in Palestine that includes separate access to the courts for women, female-only cells, and separate prayer rooms, among others elements.

96. UNOPS would like to see more of its projects focused on gender equality and women's empowerment. With this in mind, in 2013 UNOPS produced a gender mainstreaming toolkit for project personnel that highlights how gender and equality issues can be addressed through the whole project lifecycle, from initiation to closure, ensuring that the voices and needs of women and girls are taken into account. The toolkit has been incorporated into all major project management training. The sustainability marker now being piloted should improve the consideration of gender issues during the entire project cycle.

Box 5. UNOPS commits to greening its infrastructure projects

In 2013, the commitment of UNOPS to protecting the environment when managing construction sites led to its ISO 14001 certification.

ISO 14001 is the most recognized environmental management standard in the world, awarded to organizations that actively assess and manage their environmental effects. To achieve this certification, UNOPS developed an environmental management system to help project managers and monitor and control the environmental impact of projects by providing guidance on handling waste, protecting animals, and making the best use of natural resources.

The system allows project managers to consider environmental factors on a day-to-day basis, from the early stages of a project, to mitigate any negative effects and maximize environmental benefits. It also considers the impact of a project on socioeconomic issues in the area, so as to ensure the protection of the environment while improving the lives of people in the communities concerned.

The environmental management system is part of a larger drive to incorporate sustainability into every aspect of UNOPS work and provides a structured approach to the implementation of the UNOPS policy for sustainable infrastructure.

Environmental sustainability

97. In 2013, 30 per cent of the projects supported by UNOPS were working to improve environmental sustainability, either directly or by ensuring that other humanitarian, peacebuilding and development projects were implemented in the 'greenest' manner possible. This included the sustainable use of natural resources, incorporating sustainable building techniques, and promoting renewable energy.

98. In addition to the hundreds of environmental sub-projects run by the GEF Small Grants Programme, around 50 UNOPS-implemented projects focused primarily on the environment (see goal four).

99. Just over 100 of the non-environmental projects supported by UNOPS had pro-environment elements included in their design, and the managers of a further 11 per cent of projects added elements to increase environmental sustainability during implementation.

100. When implementing projects, UNOPS increasingly uses an environmental management system to identify and manage environmental risks and works closely with local communities to minimize any negative effects. For example, on a Japanese-funded road-building project in South Sudan, several measures were implemented after an environmental review, including improved waste management, reduced land clearing, dust suppression through water spraying and vehicle repair to limit exhaust fumes.

101. Many UNOPS-supported projects prioritized the sustainable use of natural resources, from the selection of building materials to the promotion of recycling. Sustainable building techniques were included in construction projects wherever possible, such as the use of bamboo to construct a climate communications centre, run entirely on solar power, in a Norwegian-funded REDD+ project in Indonesia.

102. Many projects used environmental criteria during procurement processes, or when overseeing grants, by increasingly using the criteria from the United Nations Sustainable Procurement Product Guidelines in tender documents. One example is a project funded by the Inter-American Development Bank that is procuring medical equipment and supplies for the Government of El Salvador.

103. In planning its operations, UNOPS pays particular attention to ensuring that the latest technologies and up-to-date sustainable construction techniques are used. This leads to more durable buildings that use fewer resources. The new World Food Programme compound in Ethiopia was constructed by UNOPS in a way to protect it from flash floods, earth tremors, sandstorms and extreme heat.

104. Renewable energy technologies were promoted wherever possible, including by installing solar panels on completed infrastructure, such as on three new paediatric clinics in Sierra Leone, built by UNOPS on behalf of UNICEF, with funding from the Government of Ireland.

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Internal audit and oversight

Activity report for 2013 of the Internal Audit and Investigations Group of the United Nations Office for Project Services

Summary

The Director of the Internal Audit and Investigations Group of the United Nations Office for Project Services hereby submits to the Executive Board this activity report on internal audit and investigation services for the year ended 31 December 2013. The response of UNOPS management to this report is presented separately, as per Executive Board decision 2006/13.

Elements of a decision

The Executive Board may wish to:

(a) *Take note of* the annual report of the Internal Audit and Investigations Group for 2013;
(b) *Take note of* the progress made in implementation of audit recommendations more than 18 months old; and
(c) *Take note of* the annual report of the Strategy and Audit Advisory Committee for 2013 (in line with Executive Board decision 2008/37).

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Contents

Chapter		*Page*
I.	Introduction	3
II.	Role and functions of the Internal Audit and Investigations Group	3
III.	Approved annual internal audit work plan for 2013	4
IV.	Highlights of 2013 audit activities	4
V.	UNOPS accountability framework	14
VI.	Disclosure of internal audit reports	14
VII.	Advisory services	15
VIII.	Investigations	155
IX.	Summary of follow-up of internal audit recommendations	20
X.	Operational issues	22

Annexes (*available on the Executive Board website*)

1. Unresolved audit recommendations issued more than 18 months before 31 December 2013

2. Titles of all internal audit reports issued during the year 2013

3. Strategy and Audit Advisory Committee - annual report 2013

4. Reports issued by the Internal Audit and Investigation Group in 2013 relating to preliminary assessments or investigations which resulted in a finding of misconduct

I. Introduction

1. The Internal Audit and Investigations Group (IAIG) is pleased to provide the Executive Board with the annual report on UNOPS internal audit and investigation activities for the year ended 31 December 2013. This report contains details pursuant to Executive Board decisions 2008/13 and 2012/18, specifically: (a) a table displaying unresolved audit recommendations by year and category; (b) an explanation of findings that remained unresolved for 18 months or more; and (c) titles of all internal audit reports issued during the year.

2. The IAIG Director reports to the Executive Director of UNOPS and assists him with his accountability function. In this regard, IAIG provides assurance, offers advice, recommends improvements and helps to enhance the risk-management, control and governance systems of the organization. IAIG also seeks to promote and support accountability by conducting investigations into reports of violations of applicable rules, regulations and administrative or policy directives. Additionally, IAIG endeavours to support management in the application of UNOPS general policies and objectives, as described in the UNOPS strategic plan 2010-2013 (DP/2009/36).

3. IAIG continued to interact with the UNOPS Strategy and Audit Advisory Committee during 2013. In accordance with Executive Board decision 2008/37, the annual report of the Strategy and Audit Advisory Committee for 2013 is attached as annex 3 to this report.

II. Role and functions of the Internal Audit and Investigations Group

A. Mandate, functions and standards

4. The mandate for internal audit and investigations is described in the UNOPS financial regulations and rules (Executive Board decision 2012/5) as revised, effective 1 January 2012. Regulations 6.01 to 6.03 and rules 106.01 to 106.03 define the role of the UNOPS IAIG.

5. The scope, responsibility, accountability and standards of UNOPS IAIG are contained in its charter, issued by the Executive Director as Organizational Directive No. 25. In line with the recommendations of the external assessment of the internal audit function in 2012, the charter was revised with effect from 15 December 2013. The main change refers to the submission of the IAIG annual activity report directly to the Executive Board, to reflect its organizational independence.

6. The role of IAIG is further defined in Organizational Directive No. 2, "UNOPS Accountability Framework and Oversight Policies," and Organizational Directive No. 15 (Addendum 2), "UNOPS Global Structure". In addition to providing internal audit services to UNOPS, IAIG leads the Executive Director's investigations into alleged fraud, corruption, waste of resources, abuse of authority or other misconduct and violations of UNOPS regulations, rules and administrative or policy directives.

B. Coordination with the United Nations Board of Auditors and other United Nations oversight bodies

7. IAIG coordinated its internal audit work with, and make its results available to, the United Nations Board of Auditors. Furthermore, the Group's annual planning process included consultation with the United Nations Board of Auditors.

8. IAIG continued to coordinate its activities with the United Nations Office of Internal Oversight Services, the Representatives of Internal Audit Services of

the United Nations Organizations (UN-RIAS) and the Joint Inspection Unit (JIU).

III. Approved annual internal audit work plan for 2013

9. The primary aims of the 2013 work plan were to evaluate and improve the effectiveness of risk-management, control and governance processes; and provide the Executive Director with the assurance that internal controls and procedures are functioning as intended. The work plan contained a detailed discussion of the planning approach, objectives, risk assessment, scope, nature of audit services and operating budget.

A. Risk-based internal audit plan

10. An audit risk assessment identifies and prioritizes potential audit areas that pose the greatest risk to the organization. This is achieved through reliance on the risk-management system which has been put in place by management. A risk assessment enables internal audit resources to be allocated to those areas that are most critical to the organization's success in reaching its goals. The result is documented in a risk-based internal audit work plan.

11. In preparing its work plan for 2013, IAIG refined the risk assessment model used in earlier years to ensure consistency between internal audit priorities and the goals of UNOPS management. IAIG relied on the existing components of the risk-management system mandated in UNOPS financial regulation 4.01 and financial rules 104.01 and 104.02. Further, UNOPS is in the process of putting in place a structured, comprehensive organization-wide system of risk management. When fully operational, this system will further inform the audit risk assessment.

12. The 2013 audit work plan, based on the audit risk assessment, acknowledged the geographical diversity of UNOPS operations worldwide and included both compliance and performance-based audits.

B. Progress on implementation of annual work plan

13. All the internal audits planned for 2013 were completed and final reports issued during the year (see table 1).

Table 1. Status of implementation of work plan as at 31 December 2013

	IAIG internal audits	Project audits	Total
Number of audits planned in 2013	8	0*	8
Total audit reports issued	8	13	21
Total audits carried over to 2014	Nil	Nil	Nil

* *as requests for project audits are client driven.*

IV. Highlights of 2013 audit activities

14. As noted in table 1, IAIG released 21 reports during 2013, compared with 34 reports during 2012. This was due to the reduction in the number of reports issued for project audits during the year, as these audits are based on client requests and reporting requirements, as per project agreements.

15. There are two separate categories, reflecting the differences in approach:

(a) Internal audits conducted by IAIG (eight reports);

(b) Project audits conducted under the supervision of IAIG by professional auditing firms or consultants to fulfil project reporting requirements (13 reports).

16. The 21 audit reports issued in 2013 contained 135 audit recommendations. Of these, 87 pertain to internal audit reports (table 3) and 48 to project audit reports (table 7).

A. Internal audits conducted directly by the Internal Audit and Investigations Group

Internal audit reports issued

17. During the year ended 31 December 2013, eight internal audit reports were issued by IAIG and submitted to the UNOPS Executive Director, as detailed in table 2.

Table 2. List of internal audit reports issued by the Internal Audit and Investigations Group in 2013

Organizational unit or function	Rating*
Internal audit of Bangkok Cluster	Partially satisfactory
Internal audit of Congo Operational Hub	Partially satisfactory
Internal audit of Iraq Operational Hub	Satisfactory
Internal audit of Argentina Operational Hub	Satisfactory
Internal audit of vendor management at UNOPS	Partially satisfactory
Internal audit of the process for engagement of individual contractors at UNOPS	Satisfactory
Internal audit of travel management at headquarters	Partially satisfactory
Internal audit of asset management at UNOPS	Partially satisfactory

** As per the harmonized definitions adopted by the internal audit services of UNDP, UNFPA, the United Nations Children's Fund, UNOPS and the World Food Programme, effective 1 January 2010:*

- *a "satisfactory" rating means "internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity;" and*
- *a "partially satisfactory" rating means "internal controls, governance and risk-management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity."*

Analysis of internal audit recommendations issued in 2013

18. Pursuant to Executive Board decision 2008/13, IAIG analyzed the recommendations issued by level of importance, cause and frequency of occurrence in a functional area.

19. The number of internal audit recommendations issued decreased from 180 in 2012 to 87 in 2013 and as a result, the average number of recommendations by audit report decreased from 15 in 2012 to 11 in 2013. This is in line with the advice of the Strategic Audit and Advisory Committee and the increased focus of internal audit on the more significant risks and systemic issues.

Level of importance of audit recommendations related to IAIG audits

20. Of the 87 recommendations issued, 52 (60 per cent) were considered of high importance[1] and 35 (40 per cent) of medium importance, as shown in table 3.

Table 3. Categorization of audit recommendations, by level of importance

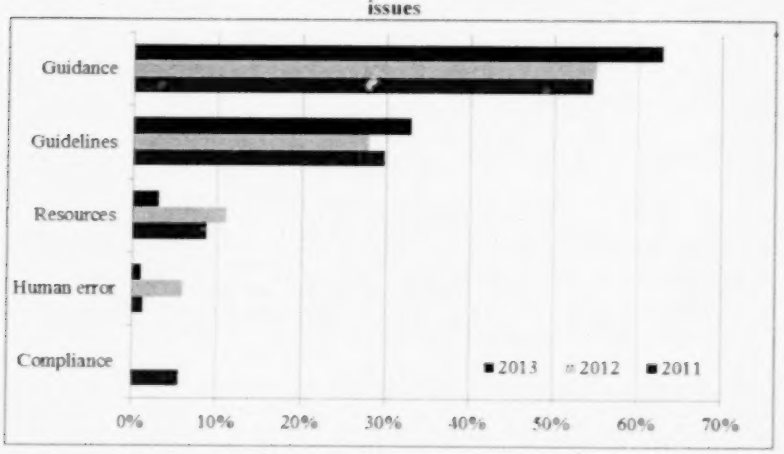
Level of importance	Number of recommendations			Percentage of total		
	2011	2012	2013	2011	2012	2013
High	53	59	52	35	33	60
Medium	93	121	35	62	67	40
Low	5	0	0	3	-	-
Total	**151**	**180**	**87**	**100**	**100**	**100**

Cause of audit issues

21. The definition of causes of audit issues was established in document DP/2007/38,[2] whereby IAIG identified the root cause and the underlying control objective for each audit issue. In 2011, IAIG concluded that lack of compliance is an outcome of an underlying root cause, rather than a cause of an audit issue.

22. Thus, the two main root causes of audit issues raised in 2013 were inadequate guidance (63 per cent) and guidelines (33 per cent), as shown in figure 1. The other causes (insufficient resources and human error) accounted for 3 per cent and 1 per cent of the audit recommendations respectively.

Figure 1. Internal audit recommendations, by cause of audit issues



[1] Definitions (as per document DP/2007/38):

High: action considered imperative to ensure that UNOPS is not exposed to high risks (that is, where failure to take action could result in critical or major consequences for the organization).

Medium: action considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences).

Low: action considered desirable and should result in enhanced control or better value for money.

[2] Definitions (as per document DP/2007/38):

Compliance: failure to comply with prescribed UNOPS regulations, rules and procedures.

Guidelines: absence of written procedures to guide staff in performing their functions.

Guidance: inadequate or lack of supervision by supervisors.

Human error: mistakes committed by staff entrusted to perform assigned functions.

Resources: insufficient resources (funds, skill, staff) to carry out an activity or function.

Frequency of occurrence of audit recommendation by functional area

23. The frequency of audit recommendations by functional area is displayed in figure 2. Most recommendations pertained to human resources (25 per cent), project management (24 per cent) and general administration (23 per cent), followed by procurement (15 per cent), corporate strategic management and leadership (8 per cent) and finance (5 per cent). It should be noted that this distribution by functional area was driven by the audit scope as identified in the risk assessment conducted for each engagement.

Figure 2. Internal audit recommendations by functional area

Key areas of improvement identified in 2013 internal audit reports

24. Supplementing the previous analysis, table 4 shows the number of recommendations by type of objective[3] and functional area. Recommendations on operational issues (44 per cent) and compliance (39 per cent) were highest, followed by those addressing strategic issues (11 per cent). A brief summary of the key issues raised in the audit recommendations follows table 4.

Table 4. Number of recommendations issued in 2013 by type of objective

Functional Area	Operational	Compliance	Strategic	Reporting	Total	Per cent of total
Human resources	12	8	1	1	22	25
Project management	7	11	2	1	21	24
General administration	6	9	2	3	20	23
Procurement	6	6	1	0	13	15
Corporate strategic management and leadership	3	0	4	0	7	8
Finance	4	0	0	0	4	5
Total	**38**	**34**	**10**	**5**	**87**	**100**
Percentage of total	**44**	**39**	**11**	**6**	**100**	

[3] As per entity objectives mentioned in "Enterprise Risk Management – an integrated framework" (1994), issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Operational matters

25. In the area of project management, recommendations were made to: (a) strengthen the engagement acceptance process by having the implementation analysis note cleared by the appropriate authority before signature of any legal agreement; (b) implement risk-mitigation measures as decided by the engagement acceptance committee; (c) optimize the way projects are set up in ATLAS such that maximum benefit is made of its functionalities for management control and financial oversight; (d) review and close all projects with no operational activity in the past year, and complete the financial closure of operationally closed projects within 18 months as per the financial rules and regulations; (e) ensure that revenue is recognized as per services delivered, not as per invoicing, in accordance with International Public Sector Accounting Standards (IPSAS); (f) ensure that risk increment guidelines are prepared and charged to the projects; (g) strengthen management system regarding bank guarantees by periodic reconciliation with project managers to ensure completeness and conduct periodic physical verification of bank guarantees; and (h) strengthen the engagement assurance process and ensure that project handover is carried out properly. A combination of guidelines, tools and more effective monitoring should help to address the issues raised.

26. In the area of procurement, recommendations were made to: (a) clean up the vendor database to ensure that it does not include vendors which appear on the Office of Foreign Assets and Control (United States) list of specially designated nationals, or firms and individuals deemed ineligible on the United Nations Financial Sanctions, United Nations Procurement Division and World Bank lists; (b) institute an appropriate control mechanism so that applications for vendor approval are sent to corporate headquarters for approval/creation by individual projects, only after due review by the procurement officer at the operations centre level; (c) maintain a database of bidders with key background information about the directors, registration details, address, banking details, etc.; (d) ensure that project bid evaluation committees do not include personnel from the project for which work is being evaluated; (e) maintain confidentiality of the composition of the project bid evaluation; (f) ensure that engineers' estimates for all projects are properly documented and centrally finalized at operations centre level by a review committee/panel approved by the procurement authority; and (g) ensure that when procurement is being carried out in response to a client request, submissions associated with that request should be unified, not split between the various component suppliers.

27. In the area of human resources, recommendations were made to: (a) establish a monitoring system to justify payments to home-based individual contractors for the time spent in the home country; (b) create a systems integration action plan for the information and communications technology (ICT) tools used in the recruitment of individual contractors; (c) consider implementing an electronic signature software tool to reduce the organization's reliance on paper and manual processes; (d) develop benchmarks and key performance indicators for the time taken in the recruitment and selection process for more effective monitoring and control of the efficiency of the Individual Contractor Agreement (ICA) process; (e) ensure that background checks are performed in all high-risk cases of ICA engagement before offer letters are sent to the candidates; (f) develop an ICT tool for online approval of request for award which is linked with the delegation of authority; (g) make more effective use of the roster system for the engagement of individual contractors and consider making rosters for shortlisted candidates; and (h) revise the template for the ICA contract document, such that all essential information is captured in one page, including the signatures of both the hiring manager and the ICA holder.

28. In the area of asset management, recommendations were made to: (a) ensure that materiality analysis is performed on the threshold applied by UNOPS on assets in the light of its adoption of IPSAS and the change of corporate policy on the management of assets in December 2012; (b) provide guidance to UNOPS personnel responsible for managing items with an acquisition value of less than $2,500; (c) ensure that the asset details in the asset module are periodically reviewed and verified with the general ledger, to ensure they agree for financial reporting purposes; and (d) structure training programmes to address the skills needed.

29. For travel, recommendations were made to: (a) consider reducing ticketing costs by improving the planning of travel through quarterly travel plans for all headquarters units; (b) ensure that any requests for official duty travel not included in approved quarterly travel plans (ad hoc travel) are submitted for the approval of the respective competent authority as per Organizational Directive 11; (c) review the existing travel structure at headquarters; (d) develop guidelines for price ceilings based on an analysis of frequently travelled destinations; (e) analyze the key drivers of the differences in pricing on major routes and consider negotiations with the principal carrier; and (f) ensure that travel processes are supported by an appropriate electronic platform to generate travel requests and prepare travel authorizations.

Compliance matters

30. Recommendations to ensure better compliance with policies and procedures were made in the majority of the reports and covered most functional areas. The most significant recommendations related to: (a) compliance with delegation of authority; (b) enhancing systematic procurement planning and monitoring of its implementation; (c) incorporating confirmation of compliance with the rules and regulations in the standard format provided to clients for pre-selection cases for individual contractors, and improving compliance with the procedures for engagement of individual contractors; (d) ensuring that formal handover notes are prepared and documented for knowledge retention, and that due diligence is exercised in approval of clearance forms; and (e) improving documentation of procurement and project management cases. More thorough guidance and supervision by management, together with better training, should address the points raised.

Strategic matters

31. Attention was called to matters that could impact the achievement of strategic objectives, organization-wide or at the level of regional office or operations/project centre.

32. In the area of corporate strategic management and leadership, management's attention was drawn to the need to: (a) draw up terms of reference for operational hubs, reiterating their scope and jurisdiction as per Organizational Directive 15 (addendum 2); (b) prepare a detailed work plan for implementing the business strategy envisaged for the operational hubs; (c) establish a service agreement regarding costing of operational hub activities with other project centres; and (d) develop suitable guidance for the planning and setting up of a new office in a structured manner.

Reporting matters

33. Recommendations were made to: (a) ensure that project data are accurate and updated on a timely basis; (b) centralize monitoring of compliance with reporting requirements; and (c) use centralized information to assess engagement performance as part of periodic engagement assurance. In the area of travel, recommendations were made to ensure that expenditure reports are periodically generated and reviewed as necessary. Such reports would cover the sectors most travelled, airlines most used, average price of tickets, split of

expenditures per airline and savings assessment reports for carbon emission for each quarter.

B. Projects audits

Single audit principle

34. IAIG continues to uphold the United Nations "single audit principle" as detailed in the UNOPS report on internal audit and oversight in 2007 (DP/2008/21).

35. While management is responsible for meeting the requirements of project agreements, IAIG supports management efforts in fulfilling the requirements as per the audit clauses in these agreements, where present. For that purpose, IAIG engages third-party professional auditing firms to conduct these audits. All the professional firms used have been pre-qualified by UNOPS, and adhere to the terms of reference approved by IAIG. All audit reports prepared by such firms are assessed for quality by IAIG before issuance.

Establishment of a professional services contract with an audit firm

36. Effective 1 January 2013, IAIG has established a three-year professional services contract with a single audit firm. It is envisaged that this will lead to: improved quality of audit reports through consistency of approach and knowledge retention; better understanding of UNOPS operations by one audit firm; and simplification of the process for engaging a firm for project audits. Such improvements are particularly important given the recent move to public disclosure of audit reports. Reduced audit costs and improved timeliness in reporting are also anticipated.

Internal audit reports issued for projects

37. During the year ended 31 December 2013, 13 audit reports relating to specific projects were issued by IAIG and submitted to the UNOPS Executive Director. Bearing in mind the single audit principle, these audits were conducted by IAIG with the assistance of audit firms.

38. As shown in table 5, a majority of the 13 audit reports for projects issued in 2013 provided both an audit opinion on the financial statement of the project and a rating of the internal control environment, according to the requirements of the partner and primary stakeholder(s) concerned.

Table 5. Number of project audit reports issued, 2011-2013

	2011	2012	2013
Audit reports issued expressing an opinion on the financial statement and providing a rating of the internal control environment	15	16	12
Audit reports issued expressing an opinion on the financial statement only	1	1	1
Audit reports issued providing a rating of the internal control environment only	0	1	0
Total	**16**	**18**	**13**

39. As shown in table 6, the proportion of project audits with an unqualified opinion on their financial statements has steadily improved, from 81 per cent in 2011 to 88 per cent in 2012, and to 92 per cent in 2013. The progressive increase in the number of unqualified reports reflects the improvement in the quality of financial reports produced by UNOPS.

40. The proportion of project audits with a "satisfactory" rating for internal controls has steadily increased, from 47 per cent in 2011 to 59 per cent in 2012,

and to 67 per cent in 2013. There were no project audits with an "unsatisfactory" rating for internal controls.

Table 6. Summary of project audit opinions and ratings of internal controls for project audits, 2011-2013

Type of opinion or rating	Number of audit reports			Percentage of total		
	2011	2012	2013	2011	2012	2013
Audit opinion on financial statement of project						
Unqualified opinion	13	15	12	81	88	92
Qualified opinion	3	2	1	19	12	8
Total	**16**	**17**	**13**	**100**	**100**	**100**
Rating of overall level of internal control						
Satisfactory	7	10	8	47	59	67
Partially satisfactory	8	7	4	53	41	33
Unsatisfactory	0	0	0	0	0	0
Total	**15**	**17**	**12**	**100**	**100**	**100**

Financial impact of project audit findings in 2013

41. The Executive Board, in decision 2010/22, requested that information on the financial impact of audit findings be incorporated in future reports. For 2013, the cumulative financial impact of project audit reports with a qualified opinion amounted to $41,821 (0.04 per cent of the total audited project expenditure of $113.64 million).

Project audit recommendations issued in 2013

42. The 13 project audit reports issued generated 48 audit recommendations (compared to 139 audit recommendations in the 18 audit reports issued in 2012). This was due to the reduced number of audit reports issued during the year and the increased focus of internal audit on the more significant risks and systemic issues. These recommendations are analyzed by importance, cause and frequency of occurrence in a functional area.

Level of importance of audit recommendations related to project audits

43. As seen in table 7, the proportion of high-rated audit recommendations increased slightly from 13 per cent in 2012 to 19 per cent in 2013. However the absolute number of high-rated recommendations was lower in 2013 (nine) compared to 2012 (18).

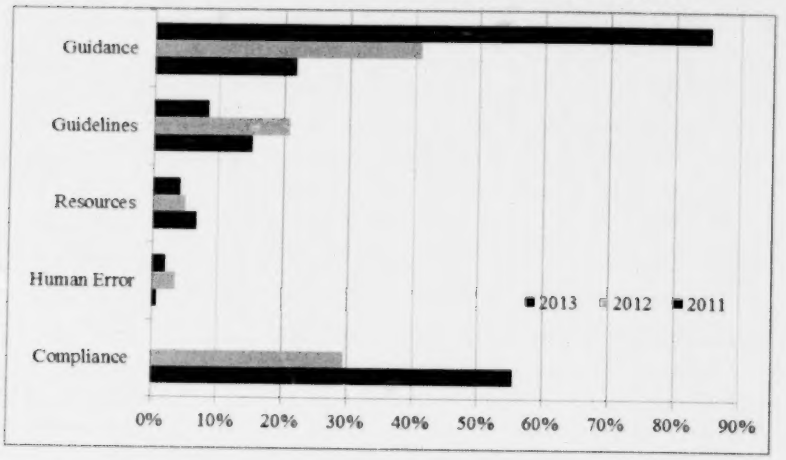
Table 7. Categorization of project audit recommendations by level of importance

Level of importance	Number of recommendations			Percentage of total		
	2011	2012	2013	2011	2012	2013
High	16	18	9	14	13	19
Medium	85	98	38	75	70	79
Low	12	23	1	11	17	2
Total	**113**	**139**	**48**	**100**	**100**	**100**

Cause of audit issues

44. As shown in figure 3, the main causes of audit issues in the project audit reports were inadequate guidance, which increased from 41 to 85 per cent[4]; inadequate guidelines, which decreased from 21 per cent in 2012 to 8 per cent in 2013; resources, which decreased from 5 per cent in 2012 to 4 per cent in 2013; and human error, which decreased from 4 per cent in 2012 to 2 per cent in 2013.

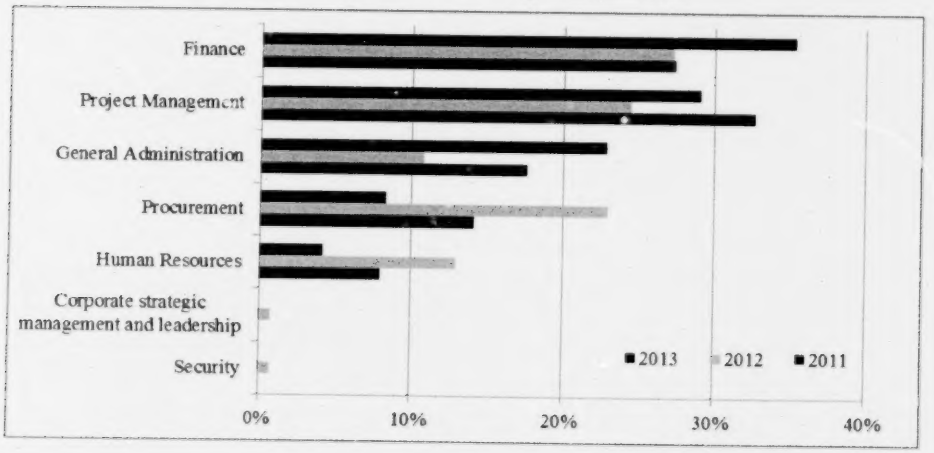
Figure 3. Project audit recommendations by cause of audit issues



Frequency of occurrence of project audit recommendations by functional area

45. The frequency of audit recommendations by functional area, displayed in figure 4, shows that most recommendations pertained to finance (35 per cent), project management (29 per cent) and general administration (23 per cent), followed by procurement (8 per cent) and human resources (4 per cent).

Figure 4. Project audit recommendations by functional area



[4] Definitions (per document DP/2007/38):
Compliance: failure to comply with prescribed UNOPS regulations, rules and procedures.
Guidelines: absence of written procedures to guide staff in performing their functions.
Guidance: inadequate or lack of supervision by supervisors.
Human error: mistakes committed by staff entrusted to perform assigned functions.
Resources: insufficient resources (funds, skill, staff) to carry out an activity or function.

Key areas for improvement identified in 2013 project audit reports

46. These include:

(a) *Project/programme management*. Enhance compliance with provisions of Financing Agreement and Management Service Agreement, accelerate implementation of project activities, improve project work planning, ensure adequate project oversight by the Project Steering Committee and Budget Committee, ensure that project budget expenditure is timely monitored, and ensure that client reports are prepared in a timely manner;

(b) *Finance*. Ensure that project budgeting is based on recent information, that cash flow is properly monitored, that the correct chart of accounts is used, that funds are committed to make payments which are eligible as per project agreements, and that expenditures are properly supported by adequate documentation;

(c) *Procurement*. Ensure that contract terms are adhered to and that documentation of procurement activities meets the requirements of the procurement manual;

(d) *Human resources*. Ensure compliance of individual contractor engagements as per organizational guidelines and that documentation is complete;

(e) *General administration (asset management)*. Ensure compliance with documentation requirements and asset transfer and monitoring guidelines on project asset management.

C. Improvements to the UNOPS internal control system

47. In 2013, management introduced further measures to strengthen the internal control system. These improvements were taken into account during the preparation of the audit work plan.

48. Strengthening the internal control system is an ongoing process. During 2013, management either revised or issued new policies and procedures in the following areas: (a) issue of an organizational directive on environmental management of infrastructure projects; (b) issue of an organizational directive on determining vendor ineligibility and sanctions; (c) revision of the UNOPS client pricing policy with effect from 1 July 2013; (d) addendum to UNOPS global structure; (e) revision of the charter for IAIG; (f) revision of policy on ICAs; (g) revision of personnel performance policy; (h) issue of policy specifying grant support instructions; (i) issue of policy on separation from service of staff members; (j) issue of policy on rest and recuperation; (k) issue of policy on claim reporting obligation of UNOPS personnel; (l) issue of policy on management and use of vehicles; (m) issue of policy clarifying approval process for visa support letters; (n) revision of policy on vendor review procedures; (o) revision of policy on recruitment; (p) revision of policy on entitlement travel; (q) revision of policy on hospitality; (r) revision of policy on renewal of fixed-term appointments; and (s) revision of working hours and leave policy for individual contractors.

49. Other initiatives taken by management included: (a) based on the extensive midterm review in 2012, the development of the UNOPS strategic plan 2014-2017, which the Executive Board endorsed at its annual session of 2013; (b) International Organization for Standardization (ISO) standard ISO-14001 certification for the UNOPS infrastructure practice; (c) achievement of the Chartered Institute of Purchasing and Supply Silver Certificate in sustainable procurement; (d) certification by APMG-International as an Accredited Consulting Organization and Accredited Training Organization, and by the Project Management Institute as a Registered Education Provider and Registered Consultant; (e) an external assessment against the European Foundation for Quality Management excellence model, resulting in an award at the four-star

level of a "Recognised for Excellence" rating; and (f) implementation of an improved approach to costing and pricing following the principles of full and fair cost recovery.

50. The UNOPS internal control system is supported by corporate tools and systems, which were further enhanced in 2013. These include: (a) upgrading the business intelligence platform; (b) introducing a new tool for management of internal audit recommendations; (c) introducing a new tool for managing ICA payments; (d) upgrading the system to manage the business lead process; (e) introducing a new system for managing submissions to the Headquarters Contracts and Property Committee; (f) upgrading the global annual leave management system; (g) upgrading the project closure tool; (h) upgrading the global personnel recruitment system; and (i) initiating a process to identify and establish a new enterprise resource planning system.

V. UNOPS accountability framework

51. In accordance with the UNOPS accountability framework and oversight policies, the IAIG Director reports to the Executive Board on the resources available and required for the implementation of the accountability framework.

52. The pillars of the UNOPS accountability framework and oversight policies that are internal to the organization include IAIG, the Strategy and Audit Advisory Committee, the Ethics Officer, the Office of the General Counsel, the Appointment and Selections Panel, the Appointment and Selections Board, the Headquarters Contracts and Property Committee, the Balanced Scorecard system and the implementation of UNOPS organizational directives and administrative instructions.

53. The fundamental pillars of the UNOPS accountability framework and oversight policies that are external to the organization include the Executive Board, the United Nations Board of Auditors, JIU, the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee of the General Assembly.

VI. Disclosure of internal audit reports

54. IAIG complies with Executive Board decisions 2008/37 and 2012/18 and the procedures approved therein regarding disclosure of internal audit reports.

55. Furthermore, during 2012, the Executive Board in decision 2012/18:

> *16. Decide[d] that the Director of Internal Audit (...) will make publicly available the executive summaries of all internal audit reports issued after 30 June 2012;*
>
> *17. Decide[d] that the Director of Internal Audit (...) will make publicly available all internal audit reports issued after 1 December 2012;*
>
> *19. Decide[d] that, before disclosing an internal audit report that contains findings related to a specific Member State, the Director of Internal Audit will provide a copy of the report to the concerned Member State (...).*
>
> *20. Request[ed] the Director of Internal Audit (...) to include in their annual reports to the Executive Board the titles of all internal audit reports issued during the year (...) and to include in their 2014 annual reports an analysis of experience gained from public disclosure to date.*

56. Accordingly, IAIG has published, on the UNOPS public website, the executive summaries of internal audit reports issued after 30 June 2012 and the complete internal audit reports issued after 1 December 2012.

57. UNOPS has set up a remote access system which has been operational since November 2011. Additionally, since November 2011, UNOPS has been

publishing on its public website all audit reports dealing with functional and thematic areas, as well as the list of all audit reports issued since 2008.

58. During 2013, UNOPS received one request from the European Union to access an internal audit report. Since the report was issued in December 2011, remote access to the internal audit report was provided to the client as per the then existing disclosure policy.

59. The IAIG experience with the public disclosure of audit reports has been positive, as it leads to enhanced transparency and accountability and to timely action by management on audit recommendations. It has also continued to raise the standard of audit reports as a result of the increased quality assurance efforts required by internal auditors.

VII. Advisory services

60. Advisory services cover a wide range of issues relating to internal control concerns, policies, organizational directives, business processes, proposed agreements and specific issues that management may request IAIG to look into. It is important to underscore that IAIG acts only in an advisory capacity and does not assume management responsibilities by participating in the implementation of any procedure.

61. During 2013, IAIG continued to provide advisory services which included providing comments on policies and procedures, support to management on ISO-14001, the corporate credit card system and risk-management activities. IAIG has also participated in the UNOPS Information and Communication Technology Advisory Board as an observer.

62. During 2013, IAIG organized four capacity-building webcasts for UNOPS personnel on project audits, asset management, vendor management and vendor review committees.

63. In addition, IAIG developed a control self-assessment tool to support managers in monitoring compliance with key internal controls in functional areas such as project management, finance, procurement, human resources, general administration (including asset management) and security. This will assist management in the achievement of one of the "must wins" required to accomplish the goals of the strategic plan 2014-2017, i.e., optimized business processes.

64. In addition to the planned audits, during 2013 IAIG produced an advisory report on the application at UNOPS of United Nations Secretariat administrative instruction ST/AI/2003/8. The report dealt with the engagement of individual contractors who were drawing pensions from the United Nations Joint Staff Pension Fund but were paid fees which was not in accordance with the Secretariat instruction.

65. Furthermore, IAIG continued to assist management in reviewing proposed project agreements containing audit clauses, including developing a template for a standard audit clause (which was made available on the intranet) in order to ensure that such clauses are in accordance with Executive Board decisions and UNOPS financial regulations and rules.

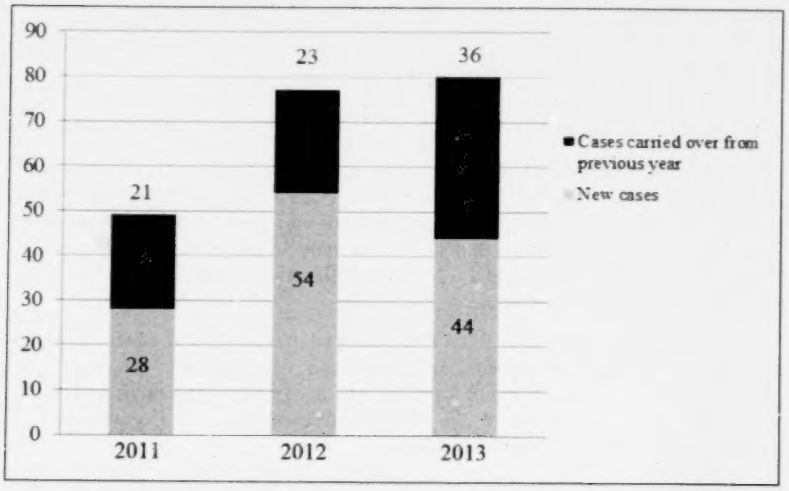
VIII. Investigations

66. IAIG is the sole entity in UNOPS responsible for conducting investigations into allegations of fraud, corruption, abuse of authority, workplace harassment, sexual exploitation, retaliation and other acts of misconduct.

A. Complaint intake

67. In 2013, IAIG received 74 complaints, 44 of which became cases and 30 were for information.[5] This was a decrease from 2012, when IAIG had 88 complaints (54 cases, and 34 for information). In addition, 36 cases were carried over into 2013: one from 2009; two from 2010; five from 2011; and 28 from 2012 (figure 5).

Figure 5. Number of cases, 2011–2013



68. Fifty-nine per cent of the cases opened in 2013 were referred by management or personnel; 11 per cent came through the IAIG fraud hotline or the UNOPS harassment hotline; and 30 per cent came via other means (i.e., external organizations such as the medical insurance provider).

69. Of the 44 cases opened in 2013, almost half (20 cases or 45 per cent) involved some type of alleged fraud or financial irregularities (procurement fraud, entitlement fraud, theft, embezzlement and misuse of UNOPS resources). The total financial value of proven fraud or misuse was $85,758 ($28,577 in medical fraud, $57,181 misused funds), less than 0.1 per cent of UNOPS total annual resources.[6] Another 30 per cent (13 cases) involved external compliance (medical insurance fraud and violation of local laws). In addition, 20 per cent (nine cases) involved harassment and abuse of authority, and 5 per cent (two cases) related to a conflict of interest (see figure 6).

[5] 'For information' complaints require review and follow-up work, but may not evolve into a full case.

[6] Definitions:

Fraud and financial irregularity: bid manipulation, collusion, corruption, bribes/kickbacks, entitlement fraud, procurement irregularities, waste/misuse of funds, forgery.

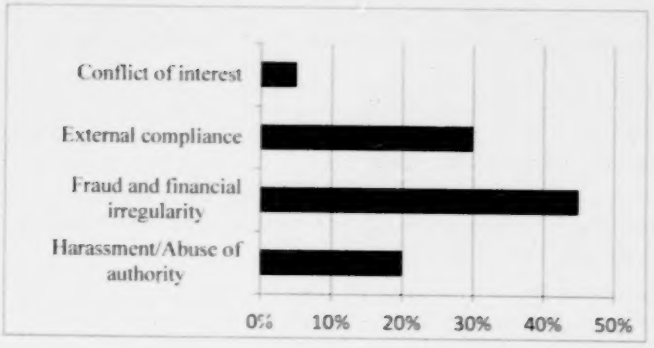
Harassment/abuse of authority: hostile work environment, sexual harassment and exploitation, assaults/threats, nepotism.

Conflict of interest: gifts/awards, non-compliance with financial disclosure, favouritism, external activities (employment, membership on outside boards).

External compliance: violation of local laws, violation of privileges and immunities, medical insurance fraud.

Whistle-blower retaliation: retaliatory action against a whistle-blower or a participant in protected activity (audit or investigation).

Figure 6. Types of cases opened in 2013



B. Outcome of investigations

70. An initial review of complaints received is undertaken to determine whether the allegations fall within the IAIG mandate or jurisdiction. If they do, a preliminary assessment is conducted. If this assessment reveals that wrongdoing may have occurred, IAIG conducts a formal investigation. If the allegations are substantiated, IAIG submits an investigation report to the human resources legal officer for appropriate action.

71. In 2013, 51 cases were closed, reducing the open caseload from 80 to 29 cases, a reduction of 64 per cent (see table 8).

Table 8. Closing of investigation complaints in 2013

	Number of cases	Per cent
Cases carried over from 2009	1	1
Cases carried over from 2010	2	3
Cases carried over from 2011	5	6
Cases carried over from 2012	28	35
Cases received in 2013	44	55
Total caseload in 2013	**80**	**100**
Cases closed with no further action necessary		
• after initial review	17	33
• after preliminary assessment	1	2
• after investigation	5	10
Total cases closed with no further action necessary	***23***	***45***
Cases closed recommending further action		
• after initial review	7	*14*
• after preliminary assessment	3	*6*
• after investigation	18	35
Total cases closed recommending further action	***28***	***55***
Total cases closed in 2013	**51**	**100**
Cases carried over to 2014	**29**	

72. As a result of the initial review or the preliminary assessment, 18 cases (35 per cent of cases closed) were found to be unsubstantiated and did not require further investigation. Five more were closed after investigation without referral to the human resources legal officer (10 per cent of cases closed).

73. Eleven cases were referred to the Vendor Review Committee in 2013 for consideration of further action (eight from cases closed in 2013, along with three others from prior years). At the time of writing, the Vendor Review Committee had sanctioned four vendors.

74. Eleven cases were referred to the human resources legal officer, all of which took place after formal investigation. In these cases, the allegations were substantiated and included the following:

(a) harassment or abuse of authority (one case);

(b) fraud or financial irregularity (four cases);

(c) external compliance - medical insurance fraud (six cases).

75. IAIG issued 37 reports based upon these 11 cases. Since some cases involved multiple subjects, more than one report may have been issued in a single case. IAIG then recommended disciplinary action against 38 personnel members. One of the 38 personnel members worked operationally and was supervised by another United Nations agency.

76. Of those 38 personnel:

(a) two individuals were disciplined;

(b) four individuals separated from UNOPS before the administrative process was completed. Since the United Nations Dispute Tribunal does not permit disciplinary actions for those who have separated from the Organization, the matter will be addressed if and when the individuals are considered for future UNOPS positions;

(c) seven cases are pending against 32 individuals. One of these cases involved 27 individuals in a medical fraud scheme. Five of the 27 implicated individuals agreed to make restitution for the wrongfully obtained funds. Another individual is employed under UNOPS contract but works operationally for another United Nations organization, which has prolonged the administrative process for this case.

77. In addition, in 2013 management action was taken against four individuals whose cases originated prior to 2013. Three left before the administrative process was completed, so the matter will be addressed if and when the individuals are considered for future UNOPS positions. For one of those individuals, a step-reduction and a training course were imposed.

78. In addition to administrative recommendations, IAIG suggested a referral to national authorities in four cases. One of these cases involved 27 different individuals, as mentioned in paragraph 76(c) above.

C. Strengthening the investigative capacity

79. Due to the continuing trend of rising numbers of complaints received, the office transferred a vacant internal auditor post (P-3 level) to investigations. In March 2013, UNOPS added a second investigator to this group and now has two dedicated professionals who are supported by an investigative assistant. IAIG continues to rely upon consultants for additional support.

80. IAIG continues to focus its limited resources on serious cases and refers less serious matters to the appropriate office. For instance, IAIG meets on a regular basis with the Human Resources Practice Group for harassment and abuse of authority cases. Together, the offices attempt to utilize alternative dispute resolution methods, such as mediation. IAIG also works closely with the

legal officers and senior managers, who may undertake initial reviews of allegations under the guidance of IAIG.

81. IAIG has been an integral part in the adoption and implementation by UNOPS of the Vendor Sanctions Regime (Organizational Directive 41), which went into effect this year and is in accordance with the model policy framework on vendor sanctions. The new vendor sanctions policy strengthens the UNOPS zero-tolerance position vis-à-vis vendors engaging in proscribed practices such as fraud, corruption, collusion, obstruction and unethical and coercive practices. IAIG serves in an advisory capacity to the Vendor Review Committee. In 2013, IAIG submitted 11 cases to the Committee for consideration of sanctions against numerous vendors, which have resulted in action against four vendors to date.

82. IAIG issued its second annual confidential survey regarding integrity, ethics and anti-fraud. The organization is committed to deterring, detecting and preventing fraud and other misconduct in the performance of its mission and in the conduct of its operations. The survey provided valuable insight into areas of fraud susceptibility, corporate culture and actual impact of existing fraud and risk management programmes. The results of the survey will be incorporated into future training and other preventative measures.

83. In 2013, IAIG began to fully implement its automated case management system. This new system facilitates the management and coordination of its cases, but it also allows IAIG to more comprehensively document action taken to investigate allegations, to allow more meaningful analysis of case data and to draw from investigations lessons that may be relevant to UNOPS risk-management processes.

84. IAIG will also revisit the legal framework for addressing non-compliance with United Nations standards of conduct, working with the Legal Practice Group to consider any changes or updates that could streamline the investigative process.

85. IAIG remains committed to strengthening preventive measures, particularly in the field of fraud. Pursuant to the revised charter of IAIG, its mandate was expanded to include training and fraud prevention. Moreover, IAIG worked closely with the Human Resources Practice Group to hire an external company to perform background reference checks for UNOPS personnel. The purpose of the initiative was to help the organization reduce risks associated with employment by verifying the information and qualifications submitted by candidates upon recruitment. It is anticipated that the service will greatly enhance the integrity of the recruitment process.

86. As part of this endeavour, IAIG worked with the Human Resources Practice Group and the Ethics Officer to develop and introduce a standards of conduct workshop for UNOPS personnel. The workshop is part of proactive efforts by UNOPS to raise awareness on compliance and ethics. The objectives are to help raise the awareness of UNOPS employees on the importance of operating in line with the highest ethical standards, aligning the work UNOPS does with the UNOPS vision, mission and values, and training personnel to spot potential issues and to know where to report concerns or suspicions.

D. Collaborating with others

87. With the objective of enhancing its investigation function, IAIG collaborated with various UNOPS units, namely the Legal Practice Group, the Human Resources Practice Group, the Ethics Office and several regional and country offices. IAIG was able to resolve many of its matters without proceeding into investigation, due to interdepartmental cooperation and support from senior management. At the same time, the advice of IAIG continues to be sought by other groups, as reflected in its "for information only" caseload.

88. IAIG undertook a number of measures to further enhance its capacity to undertake investigations and to exchange fraud intelligence with other investigative units so as to better identify and address wrongdoing that may impact UNOPS. IAIG increased its efforts to collaborate with the investigation offices of other international organizations. For instance, IAIG has been working closely with the other United Nations agencies in the United Nations heads of investigations group to strengthen investigation practices and professionalism by providing a forum for development of policies and procedures. Areas for collaboration include joint investigations, training, resource sharing, exchanging information and providing advice.

89. This collaboration with other investigative bodies has been further strengthened through the signing of cooperation agreements with other organizations. These include agreements on the prevention, detection and investigation of fraud and corruption signed with the World Bank and the Ministry of Foreign Affairs of Norway.

IX. Summary of follow-up of internal audit recommendations

A. Implementation of audit recommendations issued in 2013 and prior years

90. In line with the International Professional Practices Framework for internal auditing, which requires "a follow-up process to monitor and ensure that management actions have been effectively implemented", and in order to address Executive Board decision 2006/13, the annual work plans of IAIG include provision for such follow-up.[7] IAIG has set up an online tool designed to enable managers to report action taken on the status of implementation of audit recommendations, and desk reviews are performed by IAIG on actions taken and information provided thereon.

91. Table 9 shows the outcome, as of 15 January 2014, for all audit recommendations issued between 2005 and 2013. Of the audit recommendations issued in or prior to 2011, 99.8 per cent were implemented, as were 63 per cent of those issued in 2012. The overall implementation rate of audit recommendations issued from 2008 (the year that IAIG started undertaking internal audits) to 2013 was 93 per cent, indicating high responsiveness on the part of management to implementing audit recommendations.

B. Recommendations unresolved for 18 months or more

92. As a result of concerted and proactive efforts by management, the number of audit recommendations issued more than 18 months before 31 December 2013 (on or before 30 June 2012) that remained unresolved was six (2.3 per cent of the total 261 outstanding recommendations). Details, as well as comments on their status, are provided in annex 1.

[7] Framework from Institute of Internal Auditors, Performance Standard 2500 – Monitoring progress.

Table 9. Status as of 15 January 2014 of implementation of audit recommendations issued before 31 December 2013

Number of audit recommendations	2008-2009	2010				2011				2012				2013			Total for 2008-2013
	(total)	IAIG audit	Project audit	SGP + Mine Action audit	Total	IAIG audit	Project audit	SGP + Mine Action audits	Total	IAIG audit	Project Audit	SGP + Mine Action audit	Total	IAIG audit	Project Audit	Total	
Implemented/ closed	1758	275	264	253	792	151	113	365	629	130	66	29	225	5	5	10	3414
as a percentage	*100*	*99*	*100*	*100*	*99*	*100*	*100*	*100*	*100*	*72*	*47*	*78*	*63*	6	10	7	93
Under implementation	1	4	0	0	4	0	0	0	0	50	73	8	131	82	43	125	261
as a percentage	*0*	*1*	*0*	*0*	*1*	*0*	*0*	*0*	*0*	*28*	*53*	*22*	*37*	*94*	*90*	*93*	7
Total	1759	279	264	253	796	151	113	365	629	180	139	37	356	87	48	135	3675
as a percentage	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*

Note: IAIG = Internal Audit and Investigations Group; SGP = Small Grants Programme.

X. Operational issues

A. Resources

93. During the year 2013, the budgeted IAIG staffing included one director (D-1 level), one senior internal auditor (P-5 level), four internal auditors (one P-4 level, one P-3 level and two international ICAs), two investigators (one P-4 level and one P-3 level) and one investigations assistant. All these positions were encumbered as of 31 December 2013. This structure is supplemented by the engagement of third-party professional firms, individual consultants and interns. Further, an editor was engaged for quality assurance of the internal audit reports prior to their issue as final reports.

94. During the year 2013, budgeted expenditure of IAIG was $2.224 million.

B. Involvement with professional bodies and other groups

95. In 2013, IAIG maintained its formal ties with the Institute of Internal Auditors, to whose International Professional Practices Framework it adheres. Furthermore, IAIG actively participated in the seventh annual meeting and in the regular conference calls of UN-RIAS and in the forty-fourth meeting of the broader group, the Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions.

96. IAIG also participated in the 14th Conference of International Investigators and in the second informal meeting of the heads of investigations of United Nations organizations.

C. Strengthening the audit function

97. During 2013, IAIG carried out several improvements in its internal policies and procedures. Templates and formats for working papers and audit reports were revised to make them more user-friendly and succinct. A style guide has been prepared to encourage uniformity in reporting standards. A new audit management software package – TeamMate – was implemented, which helped to improve the quality of audit reports and work paper retention and follow-up of audit recommendations through the TeamCentral module.

D. Strategy and Audit Advisory Committee

98. During 2013, the Strategy and Audit Advisory Committee continued to review the annual work plan, budget, regular progress reports and annual report of IAIG. It also provided advice to promote the effectiveness of both internal audit and investigation functions.

99. The Strategy and Audit Advisory Committee annual report for 2013 is contained in annex 3.

United Nations DP/OPS/2014/4

Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services

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Item 16 of the provisional agenda
Reports of UNDP, UNFPA and UNOPS Ethics Offices

Activities of the UNOPS Ethics Office in 2013

Report of the Ethics Office

Summary

The present report has been provided to the Executive Director of the United Nations Office for Project Services, pursuant to UNOPS organizational directive number 15, paragraph 43. The report is submitted to the Executive Board of UNDP, UNFPA and UNOPS, at its annual session 2014, pursuant to Executive Board decision 2010/17.

The report has been reviewed by the Ethics Panel of the United Nations, in accordance with section 5.4 of the document entitled "United Nations system-wide application of ethics: separately administered organs and programmes" (ST/SGB/2007/11, as amended).

The report covers the period from 1 January to 31 December 2013.

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Contents

Chapter *Page*

Activities of the UNOPS Ethics Office in 2013 0

Report of the Ethics Office 0

I. Introduction .....

II. Background and general information .....

III. Activities of the Ethics Office .....

A. Financial disclosure programme .....

B. Protection of staff against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations 6

E. Assistance to other organizations .....

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IV. The Ethics Panel of the United Nations and the Ethics Network .....

... 3
... 3
... 5
... 5

... 8

... 8
... 8

I. Introduction

1. The present report, the fifth since the establishment of the Ethics Office as a separate entity in UNOPS at the end of January 2009, is submitted annually to the Executive Director of UNOPS, the Chair of the Ethics Panel of the United Nations, and the Executive Board of UNDP, UNFPA and UNOPS.

2. In accordance with the Ethics Office mandate to promote the highest standards of integrity and to foster a culture of ethics, transparency and accountability within UNOPS, the present report provides an overview and assessment of the work of the Ethics Office in relation to its areas of responsibility over the reporting period. The report also addresses the longer-term strategic focus of the office in respect to current activities and ethics policy implementation.

II. Background and general information

3. The Ethics Office was established as an independent office within the United Nations Office for Project Services pursuant to General Assembly resolution 60/1 and to the Secretary-General's bulletin (ST/SGB/2007/11, as amended).

4. The main responsibilities of the Ethics Office include the following:

(a) Administering the UNOPS financial disclosure programme;

(b) Undertaking the responsibilities assigned to it under the UNOPS policy for the protection of staff against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations;

(c) Developing standards, training and education on ethics issues, in coordination with the human resources practice group, and other entities as appropriate, and conducting ethics outreach;

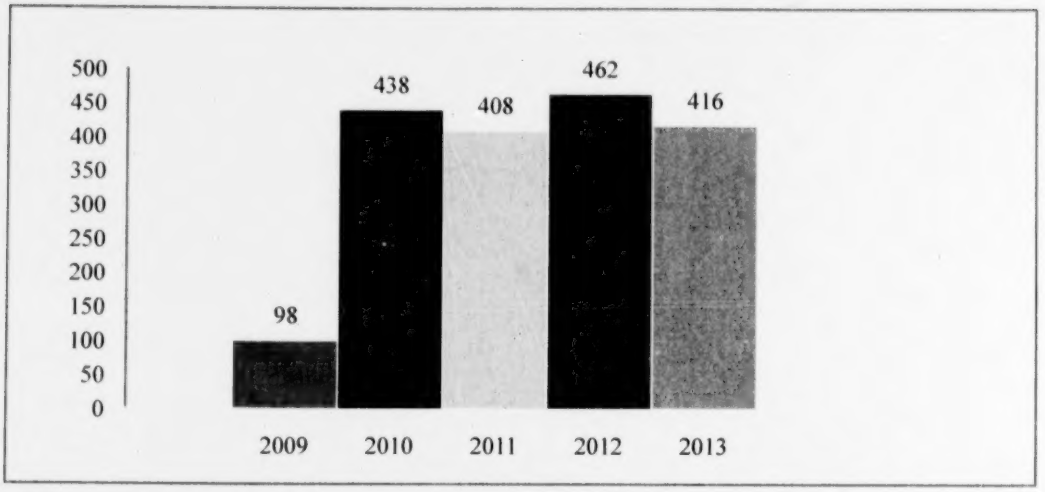
(d) Providing confidential advice and guidance to staff on ethical issues (such as conflicts of interest), including administering an ethics helpline; and

(e) Supporting ethics standard-setting and policy coherence within the United Nations system.

5. In accordance with its core mandates, the Ethics Office assists the Executive Director in ensuring that all staff conduct themselves with integrity and professionalism and uphold the Charter of the United Nations. The office seeks to nurture and sustain an organizational culture committed to ethics and accountability, with the aim of enhancing both the credibility and the effectiveness of the United Nations.

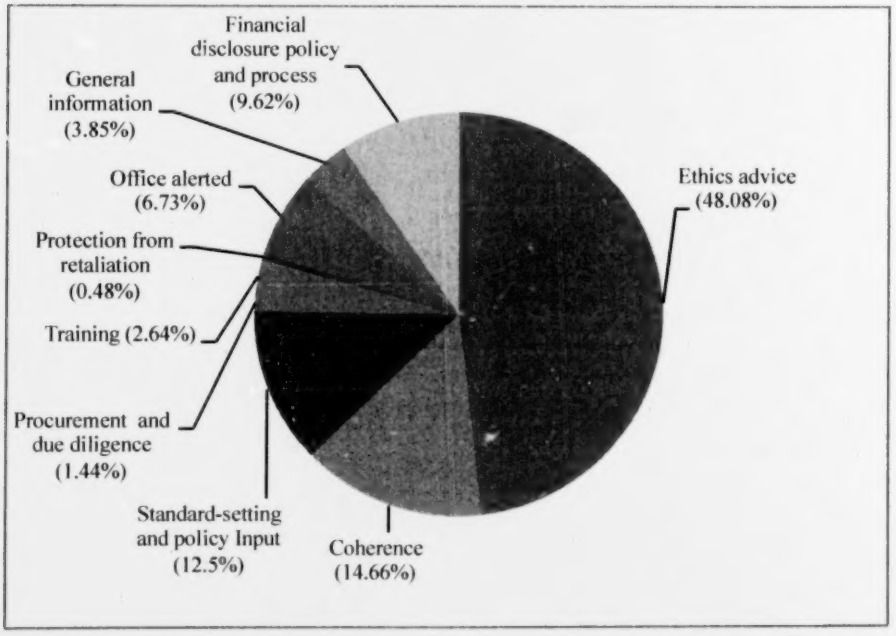
6. Reflecting its role as a consultative, impartial and service-oriented resource within UNOPS, the Ethics Office received a total of 416 referrals from 1 January 2013 to 31 December 2013. This represented a 10 per cent decrease in the number of requests for services received by the office as compared with the preceding reporting period. Figure 1 depicts the comparison of the respective figures for the period 2009-2013. The low figure for 2009 may be explained by the fact that the office was new as an independent entity, and that administration of the financial disclosure programme had not yet been included in the terms of reference of the Ethics Office.

Figure 1. Comparison of requests for services by reporting cycle, 2009-2013



7. In line with the objective of the Ethics Office to provide comprehensive ethics coverage, requests for services received during 2013 covered a broad range of ethics issues, including the permissibility of outside activities; acceptance of gifts; policy advice; standard-setting support; and protection against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations. Figure 2, below provides a breakdown of requests by category.

Figure 2. Volume of requests for services by category, 2013



III. Activities of the Ethics Office

8. The areas of responsibility of the Ethics Office collectively support its strategic objective of promoting an ethical organizational culture that enhances organizational integrity, accountability, efficiency and productivity.

A. Financial disclosure programme

9. The Ethics Office is mandated to administer the UNOPS financial disclosure programme as a means of identifying, managing and mitigating personal conflict of interest risks. The overall goal of this programme is to strengthen public trust in the integrity of the organization. Pursuant to the Secretary-General's bulletin (ST/SGB/2007/11, as amended), UNOPS organizational directive number 23 and advice from the Ethics Officer, personnel identified as falling within the categories listed in organizational directive number 23 were required to file annual disclosure statements.

10. Of the 709 active personnel required to file a financial disclosure statement, all did so. This represents 100 per cent compliance. After all the information had been received, no actual conflict of interest was found in 708 financial disclosure statements; there was one case where an actual conflict was found. There were 68 situations where the disclosed information required further scrutiny. The numbers of those cases are listed below showing the various categories of enquiry. When further information became available, no actual conflict of interest was found.

Financial disclosure programme: disclosures requiring further scrutiny	Total	Per cent
Personnel		
Owns stock of a company that is a vendor	2	2.94%
Has account in vendor/bank	1	1.47%
Has tenant that works for a partner	1	1.47%
Has tenant that is a government agency	2	2.94%
Has leadership role in non-United Nations entity	3	4.41%
Has previous employer that worked with the organization	2	2.94%
Was selected for verification but did not provide documents	1	1.47%
There was inconsistent data on the financial disclosure policy	4	5.88%
Personnel subtotal	**16**	**23.53%**
Spouse/Domestic partner		
Spouse works in same organization	4	5.88%
Spouse works for a partner	6	8.82%
Spouse works for a government	10	14.71%
Spouse works for vendor	5	7.35%
Spouse works in the United Nations system	16	23.53%
Spouse/Domestic partner subtotal	**41**	**60.29%**
Relative		
Relative works in the United Nations system	10	14.71%
Other	1	1.47%
Total	**68**	**100.00%**

11. The Ethics Office found an actual conflict of interest that showed one employee as having a management interest in a company that is a potential vendor of UNOPS. It was agreed that the staff member concerned would recuse herself completely from any matter that would involve this company if it arose, and further take no part in the management of the company whilst in service with UNOPS.

12. The process of reviewing financial disclosure statements includes a verification procedure. The procedure requires that selected participants provide third-party documentation to prove the completeness and accuracy of the information disclosed in their statements. Forty personnel were required to provide third-party documentation, and all did so. No discrepancies were found.

B. Protection of staff against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations

13. Pursuant to the Secretary-General's bulletin (ST/SGB/2007/11, as amended), the Ethics Office is mandated to implement the United Nations policy on protection against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations. In accordance with UNOPS organizational directive number 35, the Ethics Office receives complaints of retaliation and conducts preliminary reviews to determine whether a complainant engaged in a protected activity and, if so, whether the protected activity was a factor contributing to the alleged retaliation. On the basis of its preliminary review, should the office determine that there is a prima facie case of retaliation, the matter is referred to the Internal Audit and Investigations Group, or to an alternative investigating mechanism, if required, for formal investigation.

14. Pending the completion of a referred investigation, the Ethics Office may recommend to the Executive Director that interim protection measures be implemented to safeguard the interests of the complainant. The office will make a final recommendation to the Executive Director for his determination subsequent to receipt and assessment of the completed investigation report and evidentiary materials.

15. The Ethics Office gave advice on two occasions in relation to protection from retaliation. One formal application was filed in 2012. The Ethics Officer found a prima facie case of retaliation in that case, which was therefore referred to the Internal Audit and Investigations Group for investigation in accordance with organizational directive number 35. After reviewing the investigator's report and the Ethics Officer's recommendation in 2013, the Executive Director concluded that the organization had proved, by clear and convincing evidence, that there was in fact no retaliation following a protected activity. The request for protection was therefore refused. No formal applications for protection were filed in 2013.

16. Effective implementation of the protection against retaliation policy remains an essential means of promoting an organizational culture that encourages staff to speak out against behaviour that places the reputation and standing of UNOPS at risk. In addition to the thorough and timely review of received retaliation complaint cases, the Ethics Office will continue to articulate the purpose, scope and availability of the protection-against retaliation policy to staff. The Ethics Office considers raising awareness of the policy as one means of preventing retaliation.

C. Outreach, training and education

17. Online ethics training was provided via the online learning programme Integrity Awareness Initiative, which is directed at personnel at all levels and focuses on core values and the standards of integrity to be observed in the workplace.

18. The audit, tax and advisory services firm, KPMG, was commissioned to prepare an interactive ethics course. A pilot session was presented in New York in June 2013, and a group of UNOPS legal, audit, investigations and ethics personnel provided comments and input. This new course was delivered in its final version in Copenhagen in November 2013. The course is aimed at raising the basic principles of ethical behaviour through training; at the end of 2013, it was awaiting roll-out by UNOPS Human Resource Practice Group's training section.

19. The Ethics Officer receives the agendas of senior management meetings, namely, those of the corporate operations group and the management practice group, and decides whether to attend as an observer and commentator. In 2013, he attended most meetings. He also attended the annual Global Management Meeting at headquarters. The Ethics Officer continues to support the Internal Audit and Investigations Group and the Sustainable Procurement Practice Group initiatives in anti-corruption and identification of risk in procurement. Of particular note was a survey on integrity, ethics and anti-fraud, which was discussed in the Strategy and Audit Advisory Committee and the Audit Advisory Subcommittee. It was concluded that there was a need for more awareness raising and training on ethics, integrity and fraud.

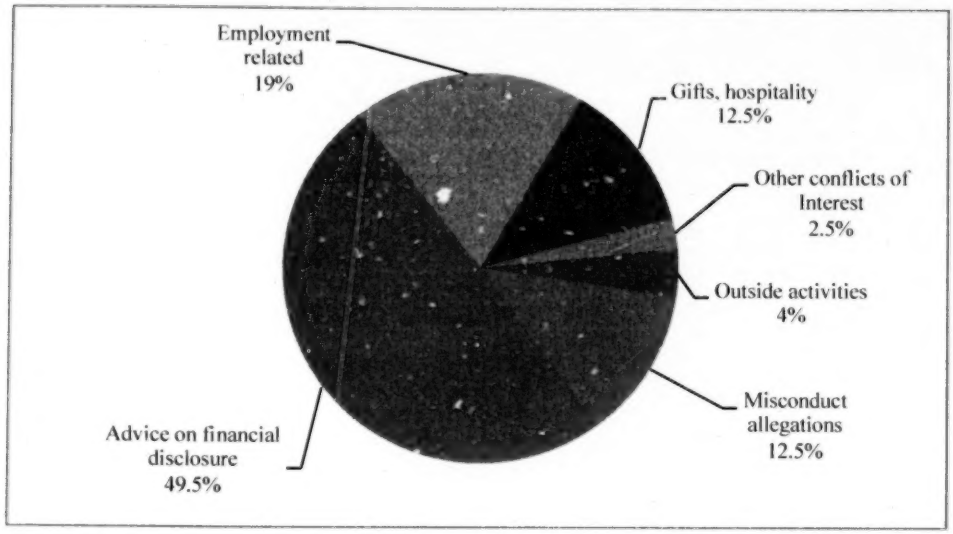
D. Advice and guidance

20. The ethics advisory function is a key element in United Nations efforts to protect and bolster its reputation for integrity. Pursuant to its advisory mandate, the Ethics Office provides confidential ethics advice and guidance to staff, management, departments and offices in order to ensure that decision-making is consistent with the values, principles and rules of the United Nations. This function serves to prevent, mitigate and resolve actual or perceived conflicts of interest, and in so doing enhances the integrity of UNOPS and its personnel.

21. Demonstrating the significance of the advisory function of the Ethics Office, 48.1 per cent of all requests for services during the reporting period pertained to ethics advice (see figure 2). During the period under review, the office received 416 requests for services on a wide range of ethics-related concerns. Figure 3, below, shows the categories into which requests for advice are classified: outside activities (9 per cent); allegations of misconduct (12.5 per cent); other conflicts of interest (2.5 per cent); financial disclosure (49.5 per cent); employment-related concerns (19 per cent); and gifts and hospitality (12.5 per cent).

22. The advice and guidance provided by the Ethics Office during the reporting period included clarification or interpretation of UNOPS regulations, rules and standards concerning prohibited or restricted activities, and, of course, ethical dilemmas. Through inter-organizational consultation and coordination with, inter alia, General Counsel and the members of the Human Resources Practice Group, the Procurement and Supply Chain Practice Group and the Internal Audit and Investigations Group, the Ethics Office sought to ensure consistent approaches to the interpretation and implementation of organizational standards.

Figure 3. Requests for ethics advice, 2013



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23. In accordance with its mandate to provide services to other United Nations organizations, UNOPS set up an ethics function in the World Tourism Organisation (UNWTO). Following the successful set-up in 2013, UNWTO decided to insource its ethics function to UNOPS, pursuant to Joint Inspection Unit recommendations.

IV. The Ethics Panel of the United Nations and the Ethics Network

24. The United Nations Ethics Committee, later renamed the Ethics Panel of the United Nations, was established by Secretary-General's bulletin (ST/SGB/2007/11, as amended), which entered into force on 1 December 2007. The panel is mandated to establish a unified set of ethical standards and policies for the United Nations secretariat and for the separately administered organs and programmes, and to consult on certain important and particularly complex cases and issues having United Nations system-wide implications. In 2013 the UNOPS Ethics Officer participated in all nine of the panel's meetings.

25. In accordance with the Secretary-General's ongoing promotion of system-wide collaboration on ethics-related issues, including with United Nations funds, programmes and specialized agencies, and other interested entities, the United Nations Ethics Network was established on 21 June 2010. The Ethics Network was founded within the framework of the Chief Executives Board for Coordination in order to promote system-wide collaboration and coherence in the area of ethics and integrity, with the participation of ethics officers and related professionals from the United Nations secretariat, United Nations funds, programmes and specialized agencies, and selected international financial institutions. The Ethics Network, subsequently renamed the Ethics Network of Multilateral Organizations, held its fourth meeting in Paris in July 2013. The UNOPS Ethics Officer participated in the meeting, where he was elected vice-chair for 2013-2014.

26. Full information on the work of the Ethics Panel of the United Nations and the Ethics Network is provided in the report of the Secretary-General on the Activities of the Ethics Office (A/68/348).